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| Austria . . . Sch. 15 | Indonesia . . Rp 2500 | Portugal . . . Esc 65 |
| Bahrain . . Din 0.650 | Italy . . . . . . L 1100 | S. Arabia . . Rls 6.00 |
| Belgium . . . BFr 35 | Japan . . . . . . Y550 | Singapore . S$ 4.10 |
| Canada . . . C$2.50 | Jordan . . . Fils 500 | Spain . . . . . Pts 95 |
| Cyprus . . Mils 600 | Kuwait . . . Fils 500 | Sri Lanka . . . Rup 30 |
| Denmark . . Dkr 7.00 | Lebanon . . L 6.00 | Sweden . . Skr 6.50 |
| Egypt . . . . E£1.00 | Luxembourg . LFr 35 | Switzerland . SwFr 2 |
| Finland . . Fmk 5.50 | Malaysia . . Rin 4.25 | Taiwan . . . NT $65 |
| France . . FFr. 5.50 | Mexico . . Pes. 300 | Tunisia . . Din 0.600 |
| Germany . DM 2.00 | Morocco . . Dh 6.00 | Turkey . . . . L 160 |
| Greece . . . . . Dr 60 | Netherlands . Fl 2.25 | U.A.E. . . . Dh 6.50 |
| Hong Kong . HK$ 12 | Norway . . Nkr. 6.00 | U.S.A. . . . . $1.50 |
| India . . . . Rup 15 | Philippines . Pes. 20 | |

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# FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 29,106 — Tuesday August 30 1983 — D 8523 B


**New light on Ambrosiano and Calvi, Page 13**

## NEWS SUMMARY

### GENERAL

## Coalition presses Begin to stay

Israeli Prime Minister Mr Menahem Begin's supporters were pessimistic last night that they would succeed in persuading him to stay at his post.

At a Cabinet meeting on Sunday Mr Begin, who has been Prime Minister since 1977, said he planned to resign, but after meeting leaders of parties which are members of his governing coalition he agreed yesterday to delay his decision until this morning. Page 14

### Hostages ordeal

Seventeen hostages faced a third night on their hijacked aircraft at Tehran airport last night as talks continued between the Iranian Foreign Ministry and the Lebanese hijackers who have threatened to blow the aircraft up tonight unless France stops military aid to Lebanon, Chad and Iraq.

### EEC ministers meet

Thirty senior European Economic Community ministers start intensive negotiations in Brussels today aimed at saving the community from bankruptcy. Page 14

### Leakage leak

Sir Robert Armstrong, the British Cabinet Secretary, is urging senior civil servants to take action to prevent further leaks of confidential government documents, according to a leaked copy of his letter. Page 6

### OECD post

Prof David Henderson of University College, London, is expected to take over the sensitive job as head of economics and statistics at the Organisation for Economic Cooperation and Development. Page 14

### Pakistani injuries

At least 28 people were injured when a hand grenade was thrown into a crowd gathered for an opposition demonstration in a working class suburb of Karachi. Four Bhutto family members held, Page 3

### Chilean progress

General Pinochet's regime has lifted the state of emergency in effect in Chile since the 1973 military coup. Page 2

### Arms offer reaction

West Germany said it was "unacceptable" that no new U.S. weapons should be deployed in Europe in return for only a reduction offered by Soviet leader Mr Yuri Andropov. Page 2

### Polish unions 'boost'

Polish authorities are using the third anniversary of the start of Solidarity as an occasion to promote unions established to replace the banned movement after the military takeover.

### Nuclear criticism

Leaders of Pacific countries meeting in Canberra called on France to stop nuclear testing and speed independence for the French island of New Caledonia.

### High crop seized

Police in the Irish Republic confiscated nearly 700 cannabis plants growing in a mountainside forest clearing near Gort, County Galway.

### Briefly . . .

Pakistan's president Zia arrived in Turkey for a six-day official visit.

Christina Onassis, the shipping heiress was questioned by customs officials for three hours before being allowed to leave Greece.

Soviet violinist Boris Korsakow was found dead in his hotel room after a concert in Gijon, northern Spain.

### BUSINESS

## Honda to cut back sales target

● HONDA MOTOR, the world's largest motorcycle maker, is to cut its sales target 19.5 per cent to 3.1m units for the year to the end of February 1984. Page 16

● DOLLAR stayed firm on European exchanges after a surge in New York on Friday prompted by news of a smaller than expected fall in the U.S. money supply. It was fixed in Frankfurt at DM 2.6803, below the New York close of DM 2.688, but two pfennigs above Friday's fix of DM 2.658. Page 26

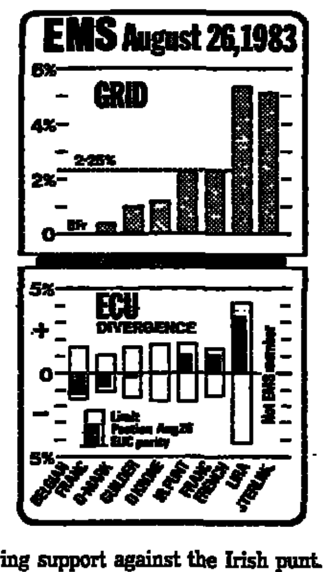
● WALL STREET; Dow Jones index closed 2.04 up at 1194.11. Page 20. Full share listings, Pages 18-20

● TOKYO: the Nikkei Dow index was up at 9172.54 (9145.54). The Stock Exchange index was 677.9 (677.69). Report and leading prices, Page 20

● GOLD September Comex settlement in New York was $417.80 ($419.80).

● LONDON was closed for a public holiday.

● THE BELGIAN franc has been under pressure in the European Monetary System recently, requiring support against the Irish punt. The Belgian National Bank reported sales of the equivalent of BFr 1.9bn in dollars in the previous week as the franc touched its floor against the punt, but by the end of last week the French franc had replaced the punt as the strongest currency within normal trading bands, although the lira remained the strongest unit overall. Movements within the EMS were fairly limited, however, by the foreign exchanges' concentration on the dollar, which did not fall sharply against the D-Mark despite better U.S. M1 money supply figures.




*The chart shows the two constraints on European Monetary System exchange rates. The upper grid, based on the weakest currency in the system, defines the cross rates from which no currency (except the lira) may move more than 2¼ per cent. The lower chart gives each currency's divergence from its "central rate" against the European Currency Unit (ECU), itself a basket of European currencies.*

● U.S. trade deficit widened to $6.36bn in July from $4.96bn in June, putting it on target for record $70bn for year against previous peak of $42.7bn in 1982.

● WEST GERMAN annual rate of consumer price inflation rose to 3 per cent in the month to mid-August from 2.5 per cent the previous month.

● EXCLUSIVE FISHING zone 12 miles off the Dutch coast will come into force on October 1, implementing a European community fishery ministers' decision earlier this year.

### FT Surveys

● A full list of FT surveys to be published to the end of the year appears on Page IX of the West German Banking survey in Section III today.

# BIS loan respite as debt crunch nears for Brazil

BY OUR FOREIGN AND FINANCIAL STAFF

**The Bank for International Settlements (BIS) has moved to help Brazil through its acute balance of payments crisis by announcing that it will not "for the time being" require the country to repay a $406m loan falling due tomorrow.**

As Brazil entered a crucial fortnight in efforts to avert default on its $90bn foreign debt, the BIS, which together with Saudi Arabia lent the country $1.45bn in emergency bridging finance last winter, said its decision was based on progress made in negotiations between the International Monetary Fund and the Brazilian authorities and the improved prospects for a resumption of disbursements to Brazil under the IMF's loan programme.

This is the first official *comment* from any Western monetary authority on the secret negotiations between Brazil and the IMF on the terms of a new economic programme to act as the basis for a multi-billion dollar debt rescue package.

Endorsement by Mr Jacques de Larosière, managing director of the *IMF*, of a new programme is now seen as urgently needed by the international banking community, as it is the only way forward in eliminating some $2bn in payments arrears accumulated by Brazil. For many U.S. banks, payments are now so late that they are threatened with having to classify loans to the country separately in their balance sheets.

Mr de Larosière is understood to be still awaiting the formal letter of intent from Brazil on its economic policy plans. Only when this letter is received and endorsed by him can Brazil's request for a resumption of lending go to the IMF's Executive Board, a process that could take several weeks.

Meanwhile, Brazil's commercial bank creditors are to meet again in New York on Thursday as talks continue on a programme to provide new loans of up to $10bn and reschedule debt falling due next year as part of an *elaborate rescue* package. Brazil's first efforts to get out of debt difficulty foundered in May when it failed to meet the stringent IMF economic performance criteria.

Even now bankers fear that a key part of the new programme, designed to cut real wages by 20 per cent by reducing workers, compensation for inflation, may prove unpalatable to Brazilian public opinion.

President Joao Figueiredo, on reassuming office last Friday after a heart operation, lent powerful support to the growing number of leading business and political figures calling for a tougher, more nationalist line towards the IMF and the Western banks.

"We shall not accept impositions which imply the abdication of our sovereignty," he said.

**Continued on Page 14**

*Editorial Comment, Page 12;* General Motors do Brazil deal, Page 4

# Caracas, IMF abandon hope of early pact

BY PETER MONTAGNON IN LONDON

VENEZUELA and the International Monetary Fund (IMF) have abandoned efforts to reach an agreement this year on austerity measures needed to back up the country's proposed rescheduling of $18.4bn in foreign debt, maturing this year and next.

The decision seems bound to delay completion of the rescheduling agreement which has been under discussion for nearly six months. Throughout the talks commercial bank creditors have insisted on the adoption of an IMF programme by Venezuela as a key condition of any extension of debt maturities.

But Venezuela, which faces a general election in early December, has balked at the terms sought by the IMF for release of up to $1.1bn from its Compensatory Financing Facility.

In particular, the Government of President Luis Herrera Campins has resisted IMF demands for an end to the country's three-tier exchange rate system and an effective devaluation of the Bolivar. In the free market, the Bolivar currently stands at about 13 to the U.S. dollar.

Confirming the decision to abandon efforts to reach agreement with *the IMF before the elections*, Sr Arturo Sosa, the country's Finance Minister, said in Caracas: "We are no longer discussing a 1983 agreement with the IMF and hope to agree on a one-year programme starting early next year." He added that it was still his "firm intention" to reach a rescheduling agreement with commercial bank creditors by December.

The advisory committee of commercial bank creditors, which is chaired by Chase Manhattan, will meet today in New York to discuss the latest development. But the meeting will not be attended by any Venezuelan officials and is not surrounded by a major crisis atmosphere because Venezuela's move had been expected for some time. "It's more of a *disappointment* than a shock," commented one senior banker yesterday.

At the very least, bank creditors are expected soon to agree to a further *extension* of Venezuela's current temporary freeze on repayments of principal when it expires at the end of September. The country's reserves of $10.3bn are simply insufficient to allow it to repay all its maturing debt.

In return, however, banks are likely to redouble their efforts to persuade Venezuela to eliminate arrears on interest payments. These

**Continued on Page 14**

# U.S. bond prices fall but rate fears recede

By Paul Taylor in New York

U.S. BOND prices fell again in New York yesterday, although there were signs that market concerns *about the immediate prospects* for short-term U.S. interest rates and Federal Reserve Board monetary policy were abating.

In the credit markets, where a disappointingly small $200m decline in M1, the basic U.S. money supply measure, announced late on Friday, prompted a wave of selling, trading yesterday was said to be *considerably* calmer and prices recovered some of their early losses.

After falling ¾ of a point in late trading on Friday, the Treasury long bond was being quoted at around 101$^{23}/_{32}$ at the close yesterday, a further decline of about ⅝ of a point.

The price decline yesterday was blamed on a further bout of profit-taking, which has pushed the price of the long bond down from a peak of 104$^{16}/_{32}$ on Wednesday of last week. At the current price the long bond is yielding around 11.78 per cent compared to 11.53 per cent in the middle of last week.

Nevertheless, there was a widespread feeling in the markets yesterday that the recent downwards correction in bond prices had been overdone

Most market analysts appear to believe that the Fed's policy-making Open Market Committee, which met last week, probably reaffirmed its current monetary stance. The minutes of the previous FOMC meeting in July, which were published late on Friday, confirmed that the committee authorised a further slight tightening in monetary policy at that meeting.

They also noted that despite the disappointment over the latest figures, the $200m decline to $516.9bn leaves M1 only just above the Fed's 5 to 9 per cent target range from the second quarter to the fourth quarter of 1983 and that the two wider money supply measures, M2 and M3, remain comfortably within their targets.

Reflecting this view, short-term U.S. interest rates eased yesterday. With the Fed funds rate at the 9¼ level, the Treasury three-month bill rate was around 9.24 at the close *compared with 9.30 per cent late on* Friday.

The easing in short-term rates helped equity prices pull back in New York from earlier sharp falls in the lowest trading volume this year.

**Wall Street and other reports, Page 20; U.S. prices, Pages 18-20**

# Missile manufacturers bid for UK navy deal

BY BRIDGET BLOOM, DEFENCE CORRESPONDENT, IN LONDON

A MAJOR contest is developing between U.S., British and European arms manufacturers to supply the British navy with advanced new anti-ship missiles.

The UK Ministry of Defence has asked five companies to submit proposals to supply sea-skimming missiles for deployment on Royal Navy frigates in the late 1980s and early 1990s. The contract could ultimately be worth several hundred million pounds.

The competing companies are British Aerospace Dynamics Group, with a new version of Sea Eagle; the U.S. McDonnell Douglas, with a ship-launched version of Harpoon; Aerospatiale's Exocet; the Franco-Italian combination Oto Melara which produces the Otomat missile; and a Matra missile.

Mr Michael Heseltine, the Defence Secretary, will face tough political and defence problems as he tries to decide between the rival systems. Many of the issues involved are similar to those raised in the recent controversy over the Royal Air Force's anti-radar missile which was finally settled by the Cabinet.

The British Alarm system was *chosen in preference to the U.S.* missile Harm at the end of July. The deciding factor appears to have been the retention of key technology in the UK, despite the RAF's preference for the U.S. weapon.

Very few details of the rival offers are currently available, though this may change soon, for the companies concerned show signs of waging the sort of public battle for the contract that characterised the Harm/Alarm affair.

It seems certain that the U.S. and European companies will offer either offset arrangements or direct involvement for British companies in producing the missiles. But only BAe's missile would be wholly British *developed. It is possible too, as* with Alarm, that a British solution would bring more employment.

In however, in another direct parallel with the Harm/Alarm situation, the British sea skimming missile has not yet been developed, with its main rivals are in production.

The BAe missile, known hitherto only as P5T, would be based on its air-launched Sea Eagle, which will *probably go into production next* year. The Ministry of Defence and BAe signed a £200m ($300m) contract for the air-launched version 18 months ago.

Of the P5T's rivals, the best known is Exocet, which in its air-launched version was responsible for the destruction of at least two British ships in the Falklands conflict. But the U.S. Harpoon, produced in several versions, is in service with the U.S. Navy and has been bought by 13 other navies. The submarine version is deployed with the Royal Navy, which also has Exocet on certain frigates.

Sea-skimming missiles are designed to be launched from frigates or other fighting ships and to hit enemy surface ships. The rival missiles work similarly, in that in the last moments of flight they descend to within a few feet of the sea's surface in an effort to avoid the enemy ship's radar-dependent defences.

**Continued on Page 14**

# Marines killed in Beirut fighting

BY NORA BOUSTANY IN BEIRUT

TWO U.S. Marines were killed and seven injured when fierce gunbatties between the Lebanese army and Moslem Shiite militias engulfed Beirut airport yesterday.

The Marines retaliated with shellfire and a rocket from a helicopter gunship to stop the fighting, the worst battles in Beirut since the Israeli invasion last year.

Mr Amin Gemayel, the Lebanese President, ordered the army to suspend operations amid fears that Lebanon could be on the brink of a return to all-out civil war.

At least 20 people, including three Lebanese soldiers were killed in the fighting and more than 60 wounded. One Italian soldier in the peace-keeping force was also wounded.

As the battle-weary capital resounded to the noise of mortars and gunfire, 200 Shiite militiamen took over a state television station, demanding that their views be aired. Television screens broadcast a picture of the Shiite militia founder, Imam Musa Sadr, who disappeared *five years ago.*

As traffic in West Beirut slowed to a trickle, Shiite militiamen in hoods and masks, accompanied by Druze fighters from the Progressive Socialist Party, set up checkpoints in mainly Moslem neighbourhoods and blocked the only crossings into the eastern, Chris*tian half of the capital. Long queues* formed for bread and petrol.

Despite the Government call to halt military operations, sniping and skirmishes continued and attacks were reported against army positions. Shells landed in East Beirut and hospitals in both sectors issued appeals for blood donations.

# Massey-Ferguson cuts first-half loss

BY NICHOLAS HIRST IN TORONTO

MASSEY-FERGUSON, the hard-pressed Toronto-based agricultural equipment manufacturer, which in April agreed on a $520m rescue package with its lenders, reduced its net loss in the three months to July 31 to $11.3m compared with a net loss of $87m in the corresponding quarter last year. Massey reports its results in U.S. dollars.

The improvement was achieved despite a continuing worldwide depression in agricultural machinery sales. Massey's sales for the quarter were down 23 per cent at $401m; farm and industrial machinery sales fell 20 per cent to $338m, while sales of Perkins diesel engines slumped 34 per cent to $63m. The Perkins diesel division, however, operated at better than break-even levels.

The net loss for the first six months was $29.2m – compared with $112.7m in the comparable period of 1982 – based on a 25 per cent reduction in sales to U.S.$804m.

Mr Victor Rice, the group's chairman and chief executive, said the company could still not predict with any certainty when recovery in its major markets would come, but it saw signs which might lead to a pick-up in 1984. Efforts to pare back costs were having their desired effect.

"*Quite clearly, we are now seeing* increased benefits from the actions we have taken to reduce our cost structure to a level appropriate to the low industry sales," Mr Rice said.

While industry sales continued to decline during the six months, Massey claimed an increase in its retail market share of both tractors and combine harvesters in all its main markets.

At July 31, the group's total assets were $1.7bn, down from $2.35bn a year before. Long-term debt had shrunk from U.S.$1.1bn to $672.6m.

# Olivetti sales show 12% rise

By Rupert Cornwell in Rome

OLIVETTI, the leading Italian electronics and office equipment manufacturer, yesterday reported a rise in first-half sales of 12 per cent at group level to L1.636bn ($1.04bn). The parent company's net revenue climbed 19 per cent to L861bn.

The group also announced that Sig Carlo de Benedetti, chief executive and deputy chairman, is stepping up to replace Sig Bruno Visentini as chairman of the board. He will retain his other positions. Sig Visentini yesterday resigned as both chairman and director following his appointment as Finance Minister in the new Italian Government.

The figures show a further increase in operating margins during the first half, Olivetti said.

The parent company's new orders from the Italian market in the first half, including those for leased products, amounted to L617.4bn.



## CONTENTS

## OVERSEAS NEWS

# Bonn sees Soviet offer as step in right direction

BY JONATHAN CARR IN BONN

WEST GERMANY has firmly rejected one key element of the latest nuclear arms control offer made by Mr Yuri Andropov, the Soviet leader. But Bonn feels some parts of the plan, which could entail the scrapping of some Soviet missiles, marking a step in the right direction.

The Government spokesman yesterday gave an unusually detailed reaction to Mr Andropov's offer, which comes shortly before resumption of Soviet-U.S. arms negotiations in Geneva.

The spokesman said it was "unacceptable" that no new U.S. weapons—Pershing 2 and cruise missiles—be deployed in Europe in return for only a cutback on the Soviet side.

He noted that this was what one part of the Andropov plan amounted to. The Soviet leader had pledged Moscow would cut the number of its intermediate-range nuclear weapons in European Russia to a level matching that of the British and French nuclear forces. But the U.S. would have to give up its deployment plans.

The spokesman emphasised the West's view that the British and French systems, mainly submarine-based, were not directly comparable to Soviet missiles like the 22-20, each with three nuclear warheads.

Moreover, the British and French weaponry was under national control and could not be taken as a substitute for U.S. missiles, deployed in Europe by joint Nato decision.

On the positive side, Bonn welcomed Moscow's readiness to achieve "a real reduction" in missiles by destroying some.

Bonn also took Mr Andropov's statement as a sign that the Soviet Union was at last ready to admit its superiority in the intermediate-range nuclear field. So far, it had sought to claim there was rough parity.

Last Friday, Chancellor Helmut Kohl said he felt there was still a chance of accord this autumn at the Geneva negotiations which resume next week. But he warned that Bonn would go ahead with deployment of U.S. missiles from the end of the year if talks failed.

The first of 108 Pershing 2 missiles are due for deployment in West Germany in December while the UK is to take the first of 464 Cruise missiles in the same month.

# Arabs warn Kohl on Israel visit

**ARAB STATES have issued a sharp warning to Chancellor Helmut Kohl of West Germany who is due to start an official visit to Israel tomorrow.**

**In a joint declaration yesterday, Arab ambassadors here said they would watch the trip carefully. They hoped it would not upset Arab-German ties.**

**The ambassadors made clear they would treat any fulfilment by Bonn of financial demands by Tel Aviv as "support for Israel's policy of occupation, aggression and expansion against the Arabs."**

**The statement claimed that Israel had followed a "policy of blackmail" towards Bonn based on a German guilt complex. But this policy could no longer be accepted, "since Israel continually uses methods similar to those of the Nazis against the Arab population in the occupied territories," the ambassadors said.**

**The declaration was issued amid uncertainty about whether Herr Kohl's visit, the first by a Bonn Government leader to Israel for a decade, would in fact go ahead.**

**Preparations have long been underway but plans were thrown into confusion by the weekend announcement of the Israeli Prime Minister, Mr Menahem Begin, that he wanted to resign.**

# The mounting problems that are prompting Begin to step down

BY PATRICK COCKBURN IN JERUSALEM

THE VIGOUR with which members of Mr Menahem Begin's Government and party are pressing him to remain Prime Minister is a measure of the primacy he has established within both since he came to power in 1977.

Mr Begin has always liked drama and surprise, and the timing of his announcement of his impending resignation had both. Cabinet colleagues who were sniping at him up to last week are aghast at the imminence of his departure.

His decision is unlikely to be simply a way of concentrating his Government's mind and dishing his enemies.

Leaving aside the death of his wife, old age and exhaustion, Mr Begin has several good reasons for stepping aside now. The inconclusive and messy consequences of Israel's invasion of Lebanon are far different from his hopes. Polls show that a sizeable majority of Israelis consider it a mistake ever to have advanced as far as Beirut.

Keeping an army in Lebanon is a financial drain and reserve duty is unpopular, all the more so because of the steady trickle of casualties. The number of dead now total 518 and even a withdrawal to better positions along the Awali River north of Sidon will not end guerrilla attacks. The Israeli-Lebanese agreement signed last May is still a dead letter, since the Syrians refuse to withdraw.

However, it is domestic affairs as much as the Lebanese invasion which has weakened the credibility of Mr Begin and his Government. The state of the economy grows worse by the month and the cabinet has found it difficult to agree on the cuts to be made. Mr Begin's resignation may make these even more difficult to carry out and the Treasury is worried about the fate of the new economic policy.

> The state of the economy grows worse by the month and a divided cabinet has found it hard to agree on cuts.

The social and political consequences of the failure of Mr Yoram Aridor, the Finance Minister, to stem the decline in the economy was symbolised by the prolonged doctors' strike earlier this year. The Government took legal action against the doctors, and they, in turn, went on hunger strike, some fainting dramatically as they tended their patients.

On top of all this, Mr Begin has been leading an increasingly disunited cabinet. Mr Aharon Uzam, Labour and Social Affairs Minister, last Friday described the weekly cabinet session as "chaotic." "There was nobody in charge," he said. No clear economic policy has been agreed.

It is hardly surprising that Mr Begin's many enemies will be quick to acuse him of opting out of a mess of his own creation. On the other hand, he can claim that some of the most serious dangers of his policy have been avoided.

The "Reagan plan," announced almost exactly a year ago, demanded an end to Israeli settlements on the West Bank and autonomy for the Palestinians there and in Gaza. This was perhaps the greatest threat to Mr Begin's vision of "Greater Isreal" during his years in office and he has repelled it successfully. Mr George Shultz, the U.S. Secretary of State, recently said it was "impracticable" for the settlements to be dismantled.

If Mr Begin's resignation is confirmed today, attention will turn to his replacement. The field is narrower than seemed likely a year ago. Mr Ariel Sharon, the former Defence Minister, has not recovered from the effect of his condemnation by the official report on the Chatilla massacre. The state of the economy seems to rule out Mr Aridor, while Mr Moshe Arens, the Defence Minister, is not in Parliament and cannot, therefore, become Prime Minister.

Mr David Levy, the Deputy Premier and Housing Minister, and Mr Yitzhak Shamir, the Foreign Minister, are the most serious candidates. Both are somewhat lacklustre figures compared with Mr Begin or Mr Sharon. But, after the events of the past year, they may be what most Israelis want.

Mr Begin . . . the choice of a successor as Prime Minister is a narrow one.

# Machine-tool orders up 19% in U.S.

By Paul Taylor in New York

U.S. MANUFACTURERS are starting to order more equipment, providing further evidence of the economic recovery and a much needed boost for the extremely depressed machine-tool industry.

Such orders increased by 19 per cent in July to $173.4m (£115m) from June and were 63 per cent higher than the very low level in July last year, according to figures from the National Machine Tool Builders' Association.

Machine tool orders are a sensitive and closely watched barometer of economic activity and July is usually a weak month because factories close for holidays.

Mr James Gray, the association's president said: "We are encouraged that an order recovery seems to be under way." However, he pointed out that $170m in monthly orders is still only "about half what we need for a healthy industry."

Export orders, moreover, continue to be depressed and shipments in July were the lowest for more than 10 years. They fell to $109.9m down 56 per cent on a year ago and 40 per cent below the June level. The industry's order backlog at the end of July was $1.01bn, a 46 per cent decline over July 1982, but slightly higher than the $950.5m at the end of June.

# Sharp attack on Reagan peace plan

**GENEVA — A controversial UN conference on Palestinian rights, boycotted by the U.S. and Israel, opened here yesterday with a sharp attack on the Reagan peace plan by Mr Yassir Arafat, chairman of the Palestine Liberation Organisation.**

**In a message read by a Palestinian delegate, Mr Arafat, who is not present, said Mr Reagan's initiative "complicated the problem still further and undermined the cause of peace."**

**He said Washington backed Israeli aggression and occupation of Arab lands "in defiance of General Assembly resolutions."**

**The conference, with delegates from nearly 100 nations, bitterly denounced by the U.S. and Israel, was inaugurated by Sr Javier Perez de Cuellar, the UN Secretary General.**

**Washington said that the world body was exploited for an "ill-considered purpose which does nothing for the cause of peace or indeed the Palestinian people."**

**The conference's purpose was "to provide political benefits to the PLO and furnish it with a platform for one-sided judgments about the Arab-Israeli controversy," the U.S. statement said.**

**Two days ago, Mr Reagan said his year-old plan calling for Israeli withdrawal from occupied Arab land, coupled with the creation of a Palestinan entity associated with Jordan, was "the only realistic basis for a solution" in the Middle East.**

**Israel said earlier the 10-day meeting would be an exercise in futility and the $6m it will cost the UN would be money squandered.**

**Much of Geneva was turned into an armed camp for the conference. While helicopters swooped overhead, Swiss troops manned sandbagged machine-gun emplacements around the Palais des Nations, the UN's European headquarters and site of the conference.**

**The building was defended by armoured personnel carriers and three miles of barbed wire.**

**At Geneva airport, military vehicles are stationed along the runway and soldiers with submachine guns watch the airline parking area.**

**Reuter**

# AT&T workers end strike

By William Hall in New York

THE FIRST nationwide telephone strike in the U.S. for 12 years ended yesterday as the 625,000 workforce of American Telephone and Telegraph (AT&T) went back to work after 21 days.

The three unions involved—the 500,000-strong Communications Workers of America (CWA), the International Brotherhood of Electrical Workers and the Telecommunications International Union—agreed a three-year national settlement just over a week ago but a return-to-work was delayed until the 34 bargaining units had settled several subsidiary local contract issues.

Members still have to ratify the contracts before October 8 but union leaders expect no difficulty.

The strike came at a difficult time for AT&T, which plans to sell its operating telephone companies in January. The question of job security ahead of the break up of the Bell Telephone System, as it is known, was high on the union agenda.

The settlement will increase wages by an average 16.4 per cent over the life of the contract and cost an estimated $3bn (£2bn).

The public was little affected by the stoppage since most calls are made by automatic dialling.

# Pinochet ends emergency rule

By Mary Helen Spooner in Santiago

GENERAL Agosto Pinochet's regime has lifted a state of emergency in effect in Chile since the 1973 military coup. The move follows last week's meeting between the regime's new civilian Interior Minister, Sr Sergio Jarpa, and five opposition leaders, who had listed the end of the state of emergency among their demands.

The most noticeable effect of the regime's decision has been the ending of the nightly curfew imposed by military authorities. The curfews restricted movement by vehicles from 2 am to 5.30 am on weekday nights.

The Pinochet regime has also authorised the return of over 2,000 Chilean exiles over the past fortnight, including former officials of the late socialist President, Sr Salvador Allende's government.

# Spain counts costs of severe floods in Bilbao

BY DAVID WHITE IN MADRID

AUTHORITIES IN the heavily-populated Bilbao region yesterday began to count the cost to industrial stocks, personal property and communications after catastrophic floods which have claimed at least 37 lives.

The floods, caused by torrential rains along the northern coast of Spain and the south-west corner of France, hit much of the Basque country, part of Cantabria and the north of Burgos province, inundating the centre of Bilbao and cutting off villages.

Some 2,500 members of the armed forces have been mobilised since Friday to combat acute local shortages of food, drinking water and electricity, and prevent shops from being looted.

King Juan Carlos and Prime Minister Felipe Gonzalez both visited the flood region during the weekend.

The cabinet is due tomorrow to consider a request from the government's chief representatives in the Basque country to declare a disaster area in the whole of Vizcaya province, where Bilbao is situated, and several valleys of neighbouring Alava and Guipuzcoa provinces.

As clean-up and reconstruction work started yesterday, the damage to stocks alone—including steel awaiting shipment at Altos Hornos de Vizcaya—was estimated at several hundred million dollars.

Ironically, the downpours in the north and in Catalonia and Mallorca have come as much of Spain is suffering from a prolonged drought, after three years during which reservoir levels have been progressively run down.

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## Concern grows over Philippines debt in wake of killing

BY EMILIA TAGAZA IN MANILA

THE ASSASSINATION of Mr Benigno Aquino, the Philippines leading opposition leader, has sent nervous chills through the banking community in the Philippines.

The mysterious circumstances surrounding the slaying, and widespread speculation about President Ferdinand Marcos' health have heightened political uncertainty in the country; foreign bankers are seriously concerned with their exposure so that the prospect of a rescheduling of the country's debt looms large.

Economics officials have been hard pressed to reduce the chronic balance of payments deficit, which they hoped to cut to $600m this year from last year's record $1.1bn.

Some bankers are understood to have advised their parent companies to put the Philippines into a higher risk category; others have recommended a freeze on new lending.

The major anxiety now is how firmly is the President in control of events. This has been fuelled by speculation on his health. After Mr Aquino's death Mr Marcos, with his wife and full cabinet, went on live television, but both local and foreign viewers were stunned by his weak physical appearance. Mr Marcos is understood to be suffering a kidney ailment.

Some banks are appealing for calm. One American banker said it would be unwise for banks to freeze new loans precisely at this time. If no fresh funds were injected to refinance maturing loans, the Philippines could be forced to re-schedule those loans. Such a move could throw the economy in chaos. "*Economic turmoil, in turn*, could be politically explosive," he said.

The bankers unanimously hope that *in the event of a* change of leadership, the economic and debt management will remain in the hands of the same technocrats.

"The least that any new political power could do is to maintain the services of the current crop of technocrats in order to provide continuity in economic policy and to put the banks at ease," another U.S. banker said.

The Philippines, with total outstanding foreign debts running to $18bn, is the third largest Asian borrower next to South Korea and Indonesia. Annual interest and amortisation payments reached $2.24bn last year, up 27 per cent from 1981. Although external debts have reached a record level, they have been prudently managed and the country has not defaulted on any loan.

**Mr Gabriel Singson, the Philippines Central Bank deputy governor has assured depositors that national banks have sufficient funds to meet withdrawals and said it would assist any that had difficulties in meeting demands, Reuter reports from Manila. He also said in a statement the Central Bank cash department "will remain open even after regular banking hours to provide any bank with its cash requirement for servicing withdrawals."**

## Shagari set for new victory

LAGOS—The dominant National Party of Nigeria staked out a clear early lead in returns from Saturday's elections for Federal representatives, taking 46 of the first 96 seats declared.

Judging from the initial returns, the government-operated New Nigeria newspaper said the National Party "appears to be heading for another landslide win," because it was demonstrating strength in most areas of the country.

The party, led by President Shehu Shagari, scored sweeping victories over the five opposition parties in three previous general elections this month.

Shagari was returned to a second and—under the Nigerian Constitution—final 4-year term by more than 4m votes. The party also won 13 of 19 state governorships, and, subsequently, 55 of 85 contested Senate seats.

AP

## Singapore gold firms face closure

By Chris Sherwell in Singapore

A NUMBER of Singapore's gold trading companies may have to close following a lengthy official investigation into their business practices.

Closure is believed to have been urged by the Singapore Law Ministry, as a result of inquiries concerning 24 firms, trading in both commodities and gold. At least two of them are either full or associate members of the Gold Exchange of Singapore.

The investigations followed complaints from several clients last year which led to police raids and seizure of documents. The outcome is important because, in the view of the Singapore authorities, the scandal drew attention to the free wheeling nature of gold trading and put at stake the city state's reputation as a safe and reliable gold trading centre.

It remains unclear exactly how many companies face liquidation.

Investigators are believed to have found at least five companies to be insolvent and another dozen trading at a loss. More were said to be indulging in questionable trading practices.

Mr Goh Ken Swee, deputy Premier and chairman of the Monetary Authority of Singapore (MAS) has said he wants all gold traders to join the exchange. But the Government prefers self-regulation under MAS supervision, rather than direct regulation legislation, and the exchange has proposed amendments to its trading rules.

### Chad rebels call for reconciliation

The Libyan-backed rebels in northern Chad called for a "sincere and definite reconciliation" of all Chadians yesterday—including French-backed President Hissene Habre, AB reports from N'Djamena.

The rebel Radio in Bardai on the Libyan border, broadcast a communique of the rebel regime, ostensibly led by former President Goukouni Queddei. It was the rebels' first formal response to a policy statement issued last week by President Francois Mitterrand of France, outlining the mission and objectives of the French task force in Chad.

## Four Bhutto family members held

BY MUHAMMED AFTAB IN ISLAMABAD

PRESIDENT Zia ul-Haq of Pakistan yesterday rejected demands to hold collective discussions with opposition political leaders to find a solution to problems facing the country. His declaration came a day after police arrested four members of the family of executed former Prime Minister Zulfikar ali Bhutto in the southern province of Sind.

In his first comment on the civil disbedience campaign launched by an eight-party opposition alliance on August 14, President Zia said: "I do not plan to hold a collective meeting with politicians because it will not promote unity." He said, however, that he would meet politicians individually.

Gen Zia alleged that the recent violence had been initiated by "vested interests and foreign masters." He did not elaborate on who the "foreign masters" were.

He said the violence "indulged in by a handful of elements in some parts of Sind province" had sharply declined over the last few days. The agitation has claimed 31 lives, mostly through police shooting of demonstrators.

The arrest of the Bhutto family members came hours before a major anti-Government opposition rally was to have been staged at the late leader's graveside.

Mr Mushtaq ali Bhutto, a cousin of the former premier, was among the four. Names of the others were not immediately available.

The opposition parties had declared on Friday that they would stage a rally at Mr Bhutto's grave, as part of the campaign against the Government.

The parties constitute the Movement for Restoration of Democracy (MRD), which demands the country's return to democracy. It also seeks immediate parliamentary elections, restoration of human rights and revival of the 1973 constitution, which the Pakistani nation had unanimously adopted.

Eleven opposition supporters were also arrested on Sunday at Naudero, near Larkana, Mr Bhutto's home town, 225 miles north of Karachi. Mr Bhutto was hanged in April, 1979, on a conspiracy-murder charge. His grave is located at Naudero.

The police crackdown on the Bhutto family and the opposition in Larkana and Naudero was to prevent the rally from taking place.

The civil disobedience campaign coincided with a new political framework announced by Gen Zia on August 12, pledging parliamentary elections in 18 months' time, and a gradual withdrawal of martial law. The opposition has rejected the plan.

Gen Zia said the political leaders should have studied his election programme and given their comments on it. They should have discussed all its aspects and given their critical appreciation, but this was not done, he said.

## Violent clashes at uranium site in Australia

BY MICHAEL THOMPSON-NOEL IN SYDNEY

ANTI-NUCLEAR demonstrators yesterday clashed with police at Roxby Downs, South Australia, site of the huge Olympic Dam copper-gold-uranium-silver discovery. Some 400 protestors were involved in violent scuffles with 250 police after forcing their way past guarded barricades on an access road near the Whenan exploration shaft.

Olympic Dam, one of the world's largest known mineral deposits, is thought to contain at least 1.2m tonnes of uranium oxide.

Yesterday's violence was the first at the mine site and dramatises the growing opposition in Australia to the mining and export of uranium, of which the country has the world's largest reserves.

It also underlines the dilemma facing the Australian Labor Party Government in Canberra. Although official party policy demands a "total unequivocal commitment to phase out Australia's involvement in the uranium industry," it also states that a Labor Government would be empowered to "consider applications for the export of uranium mined incidentally to the mining of other minerals," as at Olympic Dam.

Production at Olympic Dam is unlikely before 1990, but site evaluation and feasibility studies are well advanced. The partners are Western Mining Corporation (51 per cent) and BP Australia (49 per cent). The development cost is estimated at A$1.7bn (£1bn).

Opponents of the uranium mining include the Labor Party's left wing, conservationists, and aboriginal land rights activists.

Yesterday, Senator Don Chipp, leader of the Australian Democrats, bitterly criticised the Government for having "gone back on its word" on uranium mining. He said the Government had allowed two companies (Energy Resources of Australia and Queensland Mines) to negotiate fresh export contracts; was condoning develoment of Olympic Dam, which had enough uranium to supply the world for 40 years; and was planning to sell more uranium to France, despite the continuation of French nuclear testing in the South Pacific.

A Government task force is studying the uranium issue, although Mr Bob Hawke, the Prime Minister, has made it clear he will not be intimidated by his party's left wing.

Australia has almost a quarter of the West's uranium recoverable at below U.S.$50 per pound. Last year it exported 5,277 tonnes of uranium ores and concentrates, worth A$415m, against 1,625 tonnes, worth A$120m, in 1981.

At Roxby Downs last night, police, mineworkers and demonstrators were still confronting one another.

## 'Bretton Woods' call for developing world

BY OUR ISTANBUL CORRESPONDENT

FINANCIAL and monetary guidelines for the 1990s are urgently needed to resolve the problems of developing countries, an international conference organised here by the UN Development Programme (UNDP) and the North-South Roundtable was told yesterday.

Speakers called for an international conference on the lines of the post-war Bretton Woods meeting to resolve the multilateral issues involved.

The meeting was discussing debt and resources topics in an introductory session which is to be followed by four days of closed meetings. Politicians, development theorists and economists, as well as private and government bankers, are taking part.

Mr Mahbub ul Haq, chairman of the North-South Roundtable, warned that the international financial system faces interlocking and apparently irreconcilable difficulties. A new order was required to resolve debt and development problems, he said, but warned that reaching agreement on it will be much harder than it *was at Bretton Woods*

He and Mr Bradford Morse, director-general of the UNDP, spoke of the human cost of economic backwardness and of the urgent need to develop human, as well as purely *economic* resources.

Aid to developing countries was falling rapidly in real terms, said Mr ul Haq.

A powerful attack on monetarist economic policies was delivered by Sr Enrique *Iglesias, executive secretary of* the Economic Commission for Latin America. He said that the region was becoming a capital exporting area and warned that governments found it difficult to devote to servicing debt funds which might have met urgent domestic social needs.

## Sri Lankan tensions flare again

Fresh ethnic violence erupted in eastern Sri Lanka at the *weekend as political talks were* held in Colombo aimed at defusing tension between majority Sinhalese and the Tamil minority, Reuter reports from Colombo.

Mr Douglas Liyanage, the Government spokesman, said attackers from the two groups set houses ablaze and damaged fishing boats in the east coast district of Batticaloa.

In the capital, talks were spurred by the arrival of a special envoy of Indian Prime Minister Mrs Indira Gandhi, who offered to help find solutions to the ethnic problem that flared into violent riots last month.

Mr Liyanage said the new violence appeared to be a reaction to the failure of a strike called last week to protest at the killing of 52 Tamil prisoners in a Colombo jail during the riots.

### Thousands of Sikhs storm Punjab offices

Thousands of sikhs, brandishing swords, spears and daggers, stormed government offices in the Punjab yesterday to press demands for greater autonomy, Reuter reports from Chandigarh. Police and paramilitary forces fired tear gas and plastic bullets at the demonstrators, who broke through barbed wire barricades and *smashed* furniture, broke windows and destroyed files inside the offices.

About 70 people were reported injured in the clashes which have erupted during a campaign by the Sikhs and their political party, the Akali *Dal, for political and religious* concessions.

### Strike brings Assam to halt for 36 hours

Shops and offices closed yesterday throughout India's troubled north-eastern state of Assam and cars kept off the streets at the start of a 36-hour strike called by Hindu militants, Reuter reports from New Delhi.

The strike was called by *mostly* Hindu Assamese militants who want immigrants deported from the state. It was the most serious challenge to the Government since widespread violence in February and March when 3,000 people died and more than 300,000 were made homeless during elections there.

# Turkish port delays hit shipments for Iran and Iraq

BY OUR ANKARA CORRESPONDENT

SHIPPERS in Turkish ports on the Black Sea and the Mediterranean are reporting delays of up to two weeks before being allowed to berth and discharge their cargoes.

According to one Turkish shipper, congestion has reached "disastrous levels" as a result of the inability of Turkey's ports to cope with the flow of trade to Iraq and Iran which are now largely being provisioned through Turkey.

Transport companies say that recent changes in freight regulations by the Turkish Ministry of Communications have exacerbated difficulties, normally attributable to bureacracy, poor infrastructure, and faulty equipment. Crane equipment in the Black Sea port of Hopa is said to be inadequate to meet demands being placed on it.

Mr Asaf Guneri, the head of Zihni Ticaret, estimates that a minimum of 1m tonnes of cargo is currently being held up in Turkish ports because of slow handling. Other companies confirmed this assessment and say that delays are hurting them badly.

Freight companies have been taken by surprise by increased charges introduced by the Turkish Transport Ministry in April. These begin at the low level of 10 cents per ton per day, but rise on a retrospective monthly basis. "Foreign companies are paying an average of $10-$15 per ton because their goods are being kept in storage for more than a month," says a freight official in Trabzon. "This makes Turkey very unattractive to many of them and I believe that some are already looking for alternative routes to supply both Iran and Iraq."

Shortages of trucks are largely responsible for the delays on land. TIR transits have swollen from 10,000 in 1972 to nearly 250,000 last year. Turkey's limited trucking facilities mean that at Trabzon on the Black Sea, only 100 trucks per day are loaded and a similar number at Hopa.

The problem is expected to get much worse after October 1 when new regulations come into force which prohibit companies with truck load capacity of less than 200 tons from collecting marine freight.

# Tanker rates show an overall improvement

FINANCIAL TIMES REPORTER

TANKER RATES improved last week in all areas of trading except the Middle East where there has been little or no inquiry for large size vessels and there is considerable tonnage in position.

Indonesia has been extremely active, with numerous fixtures concluded at higher rates for voyages to South Korea, Thailand and the East and West coasts of the U.S. A 130,000 ton carrier was fixed to the U.S. west coast at Worldscale 47½, well above the low 30s prevailing not long ago.

Similarly, a much increased demand has enabled owners to improve the rate structure out of West Africa. A 250,000 ton cargo moving to the U.S. Gulf obtained in excess of Worldscale 30.

The Mediterranean market has turned up too, with a 90,000 tonner being fixed from Arzew to Rotterdam at Worldscale 60.

A few modest stirrings have been reported in dry cargo markets as well, notably in the Lakes and in Australia, but the weight of laid-up tonnage and the amount of new building underway will continue to restrain any real recovery, Denholm Coates says.

The Soviet Union's commitment to move a minimum of 9m tons of grain from the U.S. over the next five years is helpful, but owners are still looking for signs of a much needed improvement in steel production.

In the second half shipping markets, China continues to acquire handysize bulkcarrier tonnage, having bought last week the 26,743 dwt Korean-owned, 1979-built Sammi Crystal for about $8.3m.

**Bob King in Taipei** assesses the outlook for Taiwan's colour television exporters

# Industry euphoria clouded by U.S. threat

TAIWAN'S COLOUR television exports are on the road to recovery after an extremely sluggish 1982, when shipments of finished sets and kits dipped 23 per cent from the previous year's level to $133m.

But manufacturers' euphoria has been dimmed considerably by charges of dumping in the U.S., Taiwan's principal market for colour sets. The complaint was lodged against both Taiwan and South Korea, Taiwan's major export competitor, by the Committee to Preserve American Color Television (Compact). The U.S. International Trade Commission found in June that exports from both countries were injuring the U.S. domestic industry. It is expected to rule on the dumping charge by the end of this year.

## Obstacles ahead

Despite the charges, thet export surge continues. During the first half of this year, Taiwan's exports of finished sets and kits rose by nearly 80 per cent to $93m from $52m during the same period in 1982. Exports of finished sets alone nearly doubled in that period. If the recovery continues at the same rate during the second half, export sales for the year will exceed the high-water mark of $172m set in 1981.

Nevertheless, manufacturers of colour televisions have serious obstacles to contend with. First, whole-set exports are limited to the NTSC types used in the U.S., Japan, Korea, and a few Latin American countries. Taiwan cannot export either Pal or Secom system sets because the patent-holders for this technology in West Germany and France have refused to provide local manufacturers with the necessary licences. Instead, Pal and Secom exports are limited to completely knocked-down (CKD) packages, and those only to certain countries such as Argentina.

Only one Taiwan company, Tatung, exports to Pal-system countries, from its manufacturing facility in the UK. But Tatung may only export one set for each one it sells in the U.S.

Thus, Taiwan's domestic manufacturers are mostly tied to the volatile NTSC market in the U.S., and are faced not only with already-strong competition from Japanese and South Korean companies in that market, but also with rising protectionist sentiment there. In addition, Taiwan's numerous but relatively small manufacturers are at a price disadvantage with the "big three" of Korea, whose strong vertical integration offers lower production costs.

In an attempt to cope, larger manufacturers such as Tatung and Sampo moved offshore a couple of years ago and established manufacturing bases within the U.S. In addition, AOC International, whose Taiwan facility was purchased from Admiral of the U.S. by Asian investors in 1979, set up a plant near Kansas City, Kansas. But to date, none of these ventures sells significant quantities of colour sets in the U.S.

Instead, more than 20 manufacturers in Taiwan of varying size vie with varying success for shares of the export market. This year, most of these appear to be concentrating on the 13-inch and 19-inch sets that are selling well in the U.S.

But ironically it is not the big names in Taiwanese television—Sampo, Tatung, Hitachi, and others—that are reaping the benefits of the pick-up in orders. In fact, according to the Taiwan Electrical Appliance Manufacturers' Association (Teama), which counts 17 colour set manufacturers among its members, exports from the big names are either flat or are decreasing this year. Instead, Teama says, two companies, Aoc and Orion Electric, have provided the thrust so far this year.

Aoc, for instance, through the end of July had sold 220,000 colour sets valued at $36m, compared with 158,000 worth $30m in all 1982. Even during hyperactive 1981, Aoc sold 185,000 sets valued at $40m. Marketing official Mondy Hong says the company has confirmed orders in hand that will bring the 1983 total of sets sold to around 400,000 sets, worth $65m to $70m. Nearly all those sets will go to the U.S., and half will be sold under the Aoc brand through its American affiliate, Aoc International.

## American tastes

Mr Hong attributes the company's marketing success both to intensive research and development efforts which allow it to offer lower prices, and to exterior design catered to American tastes. In price terms, a 13-in set with rotary tuning retails in the U.S. for $200, and a similar 19-in set for $250.

It is prices like these that have prompted the dumping charges, which state that Taiwanese companies are selling sets in the U.S. for as much as 57 per cent below fair market value. If the ITC decides this is true, and imposes dumping duties of only a few percentage points, Taiwan's chances of remaining competitive could be seriously eroded.

# Strong growth forecast in VCR sales

TOKYO—Japanese electronics companies will export increasing numbers of video cassette recorders (VCRs) every year from now until 1986 and domestic sales will also rise, Nomura Securities said in a report on the Japanese electronics industry.

Sales in calendar 1983 will be 17.4m sets, a 34 per cent increase on last year, with 14.1m exported.

In 1984 sales will total 21.8m (17.3m in exports), in 1985 total 26.6m (21m) and in 1986 total 31.1m (24.4m).

Nomura said VCRs continue to rank as a major consumer purchase intention, with nearly 60 per cent of Japanese consumers planning a purchase in the next five years.

In other industrial countries the VCR market will grow 20 to 30 per cent a year in the coming three to five years, it added.

Recent brisk exports to the U.S. show earlier inventory adjustment has now ended and shipments out of Japan are starting to fall behind demand.

Nomura said the Olympic Games next year will stimulate purchases, so the strong U.S. demand will continue for some time.

Noting that a broad 8mm VCR format for the NTSC and Pal systems was agreed at a conference of Japanese companies earlier this year Nomura said the new format will most likely only be introduced when the present half-inch tape system market is saturated.

Plant and equipment for making the half-inch models has not yet been fully depreciated, and manufacturers are planning to expand such plants to meet the current demand, it said.

Since the half-inch model is expected to maintain its sales momentum, manufacturers are unlikely to introduce the 8mm system in the near future, especially when so far there are no tapes available for playing on the system, Nomura said.

Reuter

# GM Brazil in $100m Venezuela car deal

By Andrew Whitley in Rio de Janeiro

GENERAL MOTORS do Brasil has concluded a $100m contract with Venezuela for the sale of 21,000 completely knocked down cars.

Over the course of next year Venezuelan importers will take delivery of 12,000 small Chevettes and 9,000 Brazilian versions of GM's world car, known here as the Monza.

With this sale GM becomes a competitor in Venezuela to Ford, its local rival in Brazil. Ford has supplied medium-sized CKD cars to Venezuela from its Sao Paulo assembly lines for several years.

Ford do Brasil is pinning its future export hopes on the Escort, launched in Brazil a few weeks ago.

First exports of the Brazilian-made Escort are destined for Scandinavia. Britain is ruled out by the company as an export market, ostensibly on the grounds that the cost of producing a right-hand-drive version of the car would be uneconomic.

Ford hopes to raise its exports from its Brazilian subsidiary to $450m in 1984 up from an estimated $330m this year.

This year has been a disappointing one for the Brazilian vehicle exporters, especially in their traditional markets in Latin America. Total exports this year are expected to be only $1.3bn against an initial target of $2bn.

## Sierras for U.S.

Ford Motors plans to import the Sierra model car, built in Europe, into the U.S. starting in 1985, Reuter reports from Dearborn. Ford has no plans to begin importing the Telstar, built in Australia.

## Toyota Ireland halt

Toyota Motors said it will halt production of its small cars in Ireland on a knock-down basis in the near future, Reuter reports from Osaka. It will export shipments of assembled cars from Japan.

## German 757 orders

Boeing has received an order for two 757 aircraft from Lufttransport-Süd of Munich, Reuter reports from Seattle. Value of the order was $85m. Deliveries would begin in June.

# New Soviet car nears launch

BY LESLIE COLITT IN BERLIN

A NEW Soviet-built Lada car, designed and engineered by Porsche, is to make its debut late next year. A Czechoslovak motoring magazine has disclosed details of the car which will be the first modern Soviet automobile to be produced. A Lada representative in West Germany said the new model is expected to begin arriving on Western European market in 1985 when 230,000 cars are to be produced.

Designated the Lada 2108, the front-wheel-drive car is being readied for production at Togliattigrad by Porsche's development centre. The Soviet assembly lines, with an annual capacity of 800,000 cars, are equipped with industrial robots.

A drawing of the new car in the Czechoslovak magazine shows a two-door hatchback bearing a resemblance to many Western cars of this type. The rear wheel cut-out resembles that of a new VW Polo.

The Lada spokesman said a considerable sum of money was paid to Porsche to develop the new Lada which will end Soviet production of the more than 15-year-old Fiat 124 which was built under licence. The same model Fiat served as the basis for the Polski Fiat built in Poland which two years ago was replaced by a new Polish-designed car, the Polonez.

The Porsche-designed Soviet Lada could represent competition for Western cars, such as VW's Golf, Opel's Kadett and Ford's Escort. It is to be offered with a 1.2- and 1.5litre engine.

## World Economic Indicators

RETAIL PRICES
(1975=100)

| | July '83 | June '83 | May '83 | July '82 | % change over previous year |
|---|---|---|---|---|---|
| UK | 249.6 | 248.3 | 247.7 | 239.6 | 4.2 |
| W. Germany | 140.5 | 139.9 | 139.4 | 137.0 | 2.6 |
| France | 229 | 227.2 | 226.0 | 209.4 | 9.5 |
| Italy | 345.5 | 342.1 | 340.1 | 299.8 | 15.2 |
| Netherlands | 157.1 | 156.3 | 156.1 | 153.1 | 2.6 |
| Belgium | 172.1 | 170.4 | 169.3 | 160.0 | 7.6 |
| | June '83 | May '83 | Apr. '83 | June '82 | |
| U.S. | 184.9 | 184.3 | 183.3 | 180.2 | 2.6 |
| Japan | 150.4 | 151.5 | 149.9 | 147.6 | 1.9 |

Source: Eurostat

# CONTRACTS & TENDERS

# UK NEWS

## Flights to U.S. at peak pressure

By Arthur Sandles in London

TENS of thousands of American students making their way back to the U.S. after the summer holidays are helping to give airlines on the North Atlantic their busiest ever time and few seats are left.

British Airways warned passengers to book ahead, and even then be prepared to go to another gateway airport than their first choice – Boston instead of New York, for example.

British Caledonian said its traffic was up 22 per cent on the North Atlantic compared with a year ago. "Los Angeles traffic in July was up by 50 per cent, and Houston by 25 per cent. Standby seats are virtually non existent at the moment."

"People Express, which started its service from Gatwick to the U.S. earlier this year appears to have enjoyed a remarkable first summer season. The British Airport Authority, which monitors all traffic, suggests that the airline has been operating at load factors of 90 per cent or more.

## CBI expects output to taper off next year

BY MAX WILKINSON, ECONOMICS CORRESPONDENT

BRITISH INDUSTRY continues to show signs of a slow recovery, but growth in output is likely to tail off next year says the Confederation of British Industry, the employers' federation.

The CBI's latest monthly trends survey of 1,500 companies shows that output is expected to rise further and order books remain at the improved levels of the early summer. However, export orders appear to have weakened a little since May and June, when companies reported a significant improvement from the low levels of last year.

The CBI says that the combination of weaker export orders with rising output indicates that the companies expect domestic demand to be relatively buoyant.

However, in its latest forecast for the UK economy, also published in its economic situation report, the CBI takes a rather sombre view of prospects for next year. It believes national output this year will be about 2 per cent higher than last year's level, but it believes growth will continue only into the first few months of next year and will then stop.

It predicts output will be almost unchanged between the first and final quarters of 1984. However, because of the higher starting point, the average level of output next year will be about 2 per cent above the average level this year.

The CBI's rather gloomy appraisal is closely in line with that of the National Institute of Economic and Social Research published last week. The institute also expects this year's recovery to fall away quickly next year.

The CBI and the Institute both believe that unemployment will continue to rise from about 3.1m (excluding school leavers) in the late autumn of this year to 3.2m by the end of next year.

Both organisations expect the inflation rate to rise, although the CBI is slightly more optimistic than the institute on this score. The CBI predicts an annual rate of increase of the retail price index of 6 per cent by the late autumn of this year rising to 6½ per cent for most of 1984. The institute by comparison expects inflation to have reached an annual rate of 7½ per cent by the end of 1984.

The contrast between the recent relatively encouraging improvements in the UK economy, particularly of consumer demand, and the subdued longer term outlook reflects a continuing depression among Britain's major trading partners in Europe.

National output in France, West Germany and Italy is expected to grow by only between 1 and 1½ per cent next year. However, growth in the U.S. and Japan is expected to be running at 4 to 4½ per cent by then.

Economic stagnation in the UK next year would present the Conservative Government with an acute policy dilemma: whether to relax its present tight strategy for fighting inflation in the interests of stimulating growth.

Its present plans to continue to squeeze down public borrowing as a proportion of national income suggests that Government spending must be kept on a very tight rein with little room for tax cuts.

## Spending growth 'will go on falling'

By Carla Rapoport

GROWTH IN UK consumer spending will continue to taper off through 1983, predicts the Economic and Research Department of the Co-operative Union.

In its annual publication, Economic Prospects, the Union predicts that the volume of consumer spending will increase by just 2.4 per cent this year, because only moderate growth is expected in real incomes.

The sharp drop in savings recorded in late 1982 and early 1983 will not be repeated in 1984, and will cease to be a driving force behind higher consumption. Another year of moderate improvement in real incomes will produce an increase in the overall volume of consumer spending of just 1.9 per cent in 1984.

Taking account of expected price increases, the growth in the value of consumer spending is forecast to be between 8 and 9 per cent annually for 1983, 1984 and 1985.

The study also forecasts:

- inflation may be a little faster in 1984, but still quite low at about 7 per cent.
- there is little chance that the number of unemployed will start to fall in the near future. "The depressing fact is that it will take many years of expansion both in manufacturing and services, to make a significant impact on the length of the dole queues," the study states.
- bank base rates are expected to stay within the 9 per cent to 11 per cent range in 1983.

## Move to resolve diverted ship row

TOP-LEVEL talks will be held in Liverpool today in an effort to resolve a dispute over the handling of a mixed general cargo aboard a Polish Ocean Lines freighter operating on the East African service, which has been diverted from Hull, Humberside.

Meanwhile, it has been agreed at preliminary discussions that whatever happens when work resumes this morning, the ship, Wladysaw Lokietek, will remain isolated in the Alexandra Dock at Bootle while the rest of the port works normally.

● WORKERS at John Brown Engineering in Clydebank, Glasgow, have begun an immediate overtime ban to oppose the 500 lay-offs announced by the company last week. At a mass meeting of more than 1,750 employees, yesterday the workers gave their overwhelming backing to initial measures to oppose the redundancies.

● THE Greater London Council (GLC) may go to the courts "if necessary" unless Environment Secretary Mr Patrick Jenkin withdraws within 21 days his ban on allowing the GLC to amend and update the Greater London Development Plan, Mr George Nicholson, chairman of the council's planning committee, said yesterday.

● STRIKING plumbers at Belfast's Harland and Wolff shipyard are expected to meet today to decide their next move after the management refused to reinstate two shop stewards sacked for alleged industrial misconduct

## Cabinet Secretary calls for an end to leaks – in a leaked letter

BY PHILIP BASSETT, LABOUR CORRESPONDENT

THE Cabinet Secretary, Sir Robert Armstrong, is urging Whitehall's most senior civil servants to prevent further leaks of confidential government documents – according to a leaked copy of his own confidential letter from the Cabinet Office.

His letter to all 40 permanent secretaries heading government departments, is prompted by the spate of leaks during the general election campaign.

Labour scored what many considered to be its only real successes with attacks based on leaked documents from the Treasury, the Department of Health and Social Security, and the National Economic Development Council.

Sir Robert's leaked letter records permanent secretaries' dismay at these leaks, which he says "can only have been deliberately perpetrated with the object of embarrassing members of the government party."

He acknowledges that "most if not all of them must have been perpetrated by civil servants," and describes them as "an intolerable breach of trust" which "put at risk the Civil Service's standing as a non-political public service."

Sir Robert emphasises that the difficulty is not so much over the breaches of the Official Secrets Act but over an employee's duty to keep his employer's confidences.

He writes: "There can be no justification or excuse for passing out a document, or indeed for orally disclosing information, which is entrusted to an employee in confidence.

"If it is done for money, it is an act of corruption. If it is done for political or for personal motives, it is an act of disloyalty which reflects a corrupt sense of values, and the person concerned had better seek employment where he can pursue the causes in which he believes without breaching his employer's confidences. It is not for civil servants to play politics.

"Whatever the motive, the perpetrator forfeits the trust placed on him when he accepts employment, and with it the right to continue in that employment."

After this clear warning of dismissals, Sir Robert stresses the need to "reassert the values and the sense of professional obligation and loyalty which will make such leaks unacceptable and unthinkable at any time."

Sir Robert makes it clear he is not referring just to the leaking of documents but also to information given orally to journalists or others.

The leaking of Sir Robert's own letter is likely itself to give further impetus to his drive against disclosures.





## Nissan 'set to start in Britain'

By John Griffiths

NISSAN will announce in October that it will go ahead with a UK car manufacturing plant, according to an independent research report, published today.

The study strongly reinforces a growing belief within the motor industry that, after more than 2½ years of agonising over a project expected to cost up to £500m, Nissan's board has just decided to proceed.

Then 330-page study has been produced by the Zaikai business journal of Japaneeds (Multilingua), a British consultancy specialising in Japanese business affairs.

It says Nissan's announcement will follow an October board meeting at which updated profit forecasts will be made. The meeting also immediately precedes a planned visit to Japan by Britain's Trade and Industry Secretary, Mr Cecil Parkinson.

The project envisages the eventual production of 200,000 cars a year, for sale throughout the EEC. As originally conceived, the cars would have an initial 60 per cent UK or EEC content, building up to 80 per cent with the advent of UK-built engines.

In reaching its conclusions the Japanese report says Nissan now believes there is an overriding need for a European plant, to counter protectionist sentiment, secure a lead over its Japanese rivals, and retain its place among the world's top car makers.

It emphasises that the decision is being made on the prospect of an eventual profit, estimated to take seven to ten years, and the achieving of a corporate consensus.

## Pickets keep yard closed

By Mark Meredith, Scottish Correspondent

STRIKING workers at Highlands Fabricators' offshore construction yard near Inverness yesterday defeated management hopes of a return to work. Only 21 workers crossed the picket line, although the union said fewer than 12 had gone through.

The yard has been closed for 11 days after a strike among its 2,000 hourly paid workers over benefits lost under a cost-cutting programme introduced during the summer break.

Highlands Fabricators, which is jointly owned by Brown and Root and Wimpey, wishes to cut the hourly paid workforce by 400 men.

## BUSINESSMAN'S DIARY

### UK TRADE FAIRS AND EXHIBITIONS

**Sept. 1-3**
Business and Light Aviation Show (01-643 8040)
Cranfield

**Sept. 3-7**
Autumn Gifts Fair (01-855 9201)
Olympia

**Sept. 3-8**
Builder's merchants exhibition—BEMEX (01-680 4200)
Wembley Conference Centre

**Sept. 6-9**
International Carpet Fair (021 705 6707)
Harrogate Exhibition Centre

**Sept. 6-9**
Offshore Europe Exhibition and Conference (01-549 5831)
Bridge of Don Showground, Aberdeen

**Sept. 11-14**
Cable and Satellite TV Exhibition and Conference—CAST (01-487 4397)
N.E.C., Birmingham

**Sept. 11-14**
International Menswear—MAB (0727 63213)
Earls Court

**Sept. 12-16**
International Welding, Cutting and Metal Fabrication Exhibition—WELDEX (021 705 6707)
N.E.C., Birmingham

**Sept. 13-24**
Chelsea Antiques Fair (0727 56069)
Chelsea Old Town Hall

### OVERSEAS TRADE FAIRS

**Current**
International Security Conference and Exhibition (until Aug. 30) (0483 38085)
New York

**Sept 1-3**
International Semi Conductor and Electronics Components Exhibition — INTERNEPCON (0483 38085)
Hong Kong

**Sept. 4-10**
International Autumn Fair (01-493 3111)
Leipzig

**Sept 8-10**
International Confectionary, Chocolate and Biscuit Trade Exhibition—INTERSUC (01-439 3964)
Paris

**Sept. 10-18**
International Autumn Trade Fair (01-891 2606)
Vienna

**Sept 14-21**
International Engineering Fair (021-455 9600)
Brno

**Sept. 15-25**
International Motor Show (01-734 0543)
Frankfurt

**Sept. 19-22**
International Hotel and Catering Equipment Exhibition—IGAFA (01-486 1951)
Munich

**Sept. 26-30**
S.E. Asian Production Machinery and Industrial Development Show—MACHINE ASIA (01-486 1951)
Singapore

**Sept. 27-Oct. 1**
International Chemical Plant and Engineering Exhibition—INCHEM (01-221 2043)
Tokyo

**Sept. 30-Oct. 4**
Toy and Gift Autumn Show (01-839 5901)
Taipei

**Oct. 2-6**
Middle East Construction and Municipal Services Exhibition (01-935 8200)
Kuwait

### BUSINESS AND MANAGEMENT CONFERENCES

**Sept. 1-2**
Metal Bulletin barter conference (01-330 4311)
Vista Hotel, New York, U.S.

**Sept. 7-8**
FT Conference: Asian energy (01-621 1355)
Singapore

**Sept. 12-14**
Risk Research Group: Captive insurance companies—establishment, operation and management (01-236 2175)
Tower Hotel, London

**Sept. 14-16**
Industrial Relations Services: Employee communications—how to get your message across and achieve success (01-328 4751)
College of Marketing, Cookham, Berks.

**Sept. 14-16**
Frost and Sullivan: Office automation and integrated information processing support systems (01-486 0334)
Hilton Hotel, Amsterdam

**Sept. 15-16**
INSIG: International seminar on micro-computers and banks (Luxembourg 209 31)
Luxembourg

**Sept. 18-23**
The Institute of Cost and Management Accountants: The design and development of management information systems (01637 2311)
Cawthorpe House, Bourne, near Peterborough

**Sept. 19-20**
Business Research International: The international loan markets 1983 (01-637 4383)
Cafe Royal, W1

**Sept. 19-21**
British Institute of Non-destructive Testing annual conference (0604 30124)
Keele University

**Sept 20-22**
Reinsurance Management Institute: Fundamentals of reinsurance (U.S. 214-721 5360)
University of Dallas

**Sept 20**
Oyez IBC: The art of negotiating for company executives and professional advisers (01-236 4080)
Portman Hotel, W1

**Sept 22**
Institute of Purchasing and Supply: The use of computers to aid purchasing and materials management (0780 56777)
Cumberland Hotel, W1

**Sept 26-29**
ETMC: European truck maintenance conference (01-572 7313)
Sheraton Hotel, Brussels

**Sept 27**
Oyez IBC: The weaponry of civil procedure (01-236 4080)
Cavendish Conference Centre, W1

**Sept. 28-29**
FT Conference: World financial futures (01-621 1355)
Royal Lancaster Hotel, W2

**Sept. 29**
Macfarlane Conferences: TV and radio — opportunities in corporate and financial advertising under the new IBA code—and the implications for Press advertising (01-637 7438)
London Press Centre, EC4

*Anyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there has been no change in the details published.*



# Liberal MPs step up revolt against Steel

FINANCIAL TIMES REPORTER

SUPPORT was being mobilised at the weekend for a motion due for debate at the Liberal Party Assembly and intended to cut the power of the party's leader, Mr David Steel.

The motion due for debate in Harrogate next month by the party's strategy commission, is signed by Mr Cyril Smith, Mr David Alton and Mr Simon Hughes, three of the 17 Liberal MPs.

At the weekend Liberal associations throughout Britain have received letters signed by Mr Smith and Mr Alton seeking support for the motion which reinforces calls to end the Liberal leader's right of boycott on policy decisions taken by the assembly.

The motion urges that Liberals dissenting from conference decisions should not state their views as party policy – a clear reference to support from the Alliance of Liberals and the Social Democratic Party (SDP) for cruise missiles in the UK at the general election despite a Liberal Assembly decision two years ago to ban them.

This will be seen as going a long way to support moves by Young Liberals to end Mr Steel's right of veto over policy decisions taken by the assembly.

The motion seeks what it calls "a more corporate style of leadership" within the party, echoing the criticisms of Mr Steel made last week by the secretary of the influential Association of Liberal Councillors, Mr Tony Greaves, who, Mr Steel said, should have been sacked.

# Drive to keep lorries

BY GARETH GRIFFITHS

LONDON companies would face major problems if heavy lorries were banned in the capital by the Greater London Council, according to a report published by an umbrella group of 73 trade bodies.

The report, from the London Needs Lorries organisation, says a ban would not produce environmental advantages and there would be a heavy economic price. A survey of 400 companies indicated 40 per cent of them thought they would lose their competitive edge and have to create redundancies, and 32 per cent would abandon plans to extend their businesses or develop new business in London.

About 29 per cent of the companies said they would be forced to move from London and 16 per cent would go out of business.

# TUC likely to record fewest members

By Philip Bassett, Labour Correspondent

**MEMBERSHIP of the Trades Union Congress (TUC) is likely to fall to about 10m by the end of this year. Four years ago TUC membership stood at 12.2m – its highest ever – but since then unemployment has steadily decreased it.**

**Statistics being presented to next week's annual TUC Congress will show that TUC membership currently stands at 10.5m. This figure, itself 500,000 fewer than the previous year's, was recorded last December.**

**TUC officials expect the trend to have continued throughout this year, pushing membership *down to about 10m, the lowest for* 10 years.**

**Even more significantly, the TUC has for the first time now acknowledged that trade union organisation itself – trade union membership expressed as a percentage of the total number of employees – is in decline.**

**Falling numbers in the Amalgamated Union of Engineering Workers will take away the union's new seat on the general council, which it will win next week for the first time.**

# Slow progress towards exploiting new ideas

BY MICHAEL DIXON, EDUCATION CORRESPONDENT

HOW CAN Britain profit more from new ideas? The question will be put at the highest national level on September 12 when the British Prime Minister leads a London seminar of business chiefs, scientists, other academics and top civil servants.

The meeting marks the opening of Mrs Thatcher's personal campaign to boost technological progress in industry. It comes 18 years after her Labour predecessor, now Lord Wilson, appointed Britain's first Minister of Technology with the identical aim in view.

Despite countless hours of work on the topic since, the problem stays identical too. By the standards of the advanced nations, while British universities are good at producing Nobel Prize winners, British industries are poor at exploiting new inventions in either products or processes.

Another topic bound to be raised at the seminar is that of closer relations between industry and research departments in universities and polytechnics. Detailed proposals to this end were made in June by the Prime Minister's esteemed Advisory Council on Applied Research and Development in conjunction with the Advisory Board for the Research Councils.

The trouble is that essentially similar proposals were made by the Confederation of British Industry in a report 13 years ago. And while much activity followed, including the establishment of industrial liaison centres and even commercial companies by higher educational institutions and the opening of science parks, the industrial renaissance is not noticeably nearer.

"All my adult life people have been rabbiting on about the need for better relations between universities and industry," said Professor John Ashworth, vice-chancellor of Salford University and formerly chief scientist with the Central Policy Review Staff.

"If it was simply a problem of goodwill between them or even of money for joint projects, we'd have cracked it years ago."

There are flaws, he thinks, in the assumption behind the better-relations theory that the prime source of profitable innovation is intellectual ideas of the sort that might be stored away untapped in academia. A study by Manchester University in 1972 of 158 "novel, important ideas" which led to successful inventions found that only 10 had come direct from universities compared with 116 from within companies.

Mr Geoff Burkitt, director of Brunel University's Industrial Services Bureau, agrees. "I've a groove in my carpet made by companies' new-product managers coming here asking for our new ideas. I tell them that universities tend to produce the sort of things they're looking for only rarely and then usually by accident."

The time when universities and polytechnics *can* often help, he believes, is when a company comes along with what he calls an "industrial if-only." It typically arises when someone has spotted a promising market demand and knocked out a prototype means of supplying it – for example, a machine that would do the job "if only" the maker could overcome a weakness in the materials of which it is made or a chemical compound which would work "if only" it had a slightly different molecular structure.

"That's the kind of problem academics are good at. But they can't give the right answer without the question and that can't usually be asked unless there are people who create if-onlies. There don't seem to be enough around."

The shortage is blamed by Professor Michael French, of Lancaster University, at least partly on the education system's "gross neglect" of practical engineering design as distinct from theoretical engineering science.

# THE MANAGEMENT PAGE: Small Business

EDITED BY CHRISTOPHER LORENZ

Patricia Roberts: found a glaring gap in the market

## A fashionable idea as a basis for lasting growth

BY JOAN GRAY

THE Patricia Roberts story is in almost every respect a classic textbook case study of how to start a small business and make it grow successfully.

In the middle of the recession, Patricia Roberts has managed to build up a highly profitable yarn and high fashion company on the back of the once despised and largely home-centred craft of hand knitting.

Her business has grown at a steady 25 per cent a year to its present turnover of £750,000, of which £175,000 is in exports to the U.S., Japan and Italy.

Starting from a small operation selling her patterns, through newspapers and book shops, and garments through exclusive boutiques, Miss Roberts now has a chain of three shops in London, packed with young customers buying her brightly coloured yarns and the vividly distinctive Patricia Roberts sweaters—which sell normally at around £100 to £400 a time.

She has just opened her first Patricia Roberts franchise shop in Hong Kong, and is negotiating with further potential franchise holders in Australia and Japan. The Japanese deal could include not just shops, but also the manufacture of Patricia Roberts yarns under licence.

It all started, Miss Roberts explains, when, having trained in fashion in Leicester in the late 1960s, she went to work designing knitting patterns for a group of women's magazines.

She spent her days producing instructions to enable the readers to produce their own perfect hand-knitted copies of Marks and Spencer's machine knitted sweaters — and become convinced that there was a glaring gap in the market for something more exciting: for high fashion designs to appeal to younger buyers and encourage non-knitters to knit.

"I could see such a hole in the market it was ridiculous it was not being filled," she says. "There was a whole sector of the market not being catered for because the big companies and designers were so conservative. They were not leading the customers but following them, so non-knitters thought hand knitting was frumpy and awful.

"Knitting designers were all catering for an unsophisticated market and kept talking about the terrible taste of the average person. But I believe people have better taste than that, and that if I like it so will they."

She put her conviction into practice with her first collection of patterns, published in 1975. These were totally unusual for the time, featuring sweaters with knitted flowers, bobbles, complicated Fair Isle patterns and exotic stripes—and were a great success.

Her collected volume of patterns topped the hardback bestseller list of publisher, W. H. Allen for three months last year, and she is now working on her ninth pattern collection.

She decided to start selling her own yarns in 1975, following the success of her first pattern collection and because she felt frustrated by the increasing difficulty of finding the natural yarns she wanted to work with.

At the time, she explains, the big spinners were concentrating on producing cheaper and cheaper synthetic and machine washable yarns. But she was convinced these did not go with hand knitting, where she thought the aim should be to produce a more luxurious garment to justify the labour involved.

Once again, her conviction paid off. She started by selling Shetland wool and pure mohair—and, she says, had a "terrific success" with these natural yarns, for which the big spinners had said there was no longer a demand.

The first Patricia Roberts shop opened in Kensington in 1976 to a queue outside the door. The profits were ploughed back to open a second small shop in Kensington, followed by the hugely popular shop in Covent Garden.

Miss Roberts' partner, her brother Keith, emphasises the company's careful approach to finance as an ingredient in its success. Until the Covent Garden shop — which needed a more substantial bank loan — the entire business had been self-financed from retained profits, with just a small overdraft.

"One of the biggest reasons why high fashion companies go bankrupt," says Keith Roberts, "is that they borrow other people's money and spend it on flashy offices and high living. But if it's your own money, you're more careful."

White, bright, with strong fluorescent lights, disco music, and strikingly displayed yarns, garments and patterns, the Covent Garden shop is nothing whatsoever like a conventional woolshop. "More like an Italian furniture shop with wool in it," is how Miss Roberts puts it.

The Roberts hope their business's major growth in future will come from selling franchises for Patricia Roberts shops, all based on the Covent Garden flagship and with franchise holders being able to buy everything from the shop design to the yarns, patterns and carrier bags.

The advantage of selling franchises, explains Miss Roberts, is that it will make it possible for the business to grow without hindering her ability to create all the designs and while keeping individual units small. "It's an ideal package to franchire," she says, "because we've got the yarns and the shop design and our things sell better in our shops where you can make sure you've got the image right and the right sort of staff."

Miss Roberts' innovative approach to hand knitting helped fuel a major revival of interest. Now, all the big spinners are offering their own collections of high fashion patterns and exciting yarns, and a clutch of smaller companies has started up to try to catch their own share of the new "designer knitting" market.

The Roberts are an ambitious pair, but are emphatic they do not want their business to grow too fast. "It's easy to be very short-lived in the fashion trade, with everybody seeing it and copying it and finishing you off in a year," says Keith Roberts. "We've always taken one step after another and that's the way we aim to keep growing at 20 per cent a year." "We don't," adds Patricia Roberts, "want to be here today and gone tomorrow."

## In brief . . .

A RECENTLY published analysis of nearly 700 companies backed by the Industrial and Commercial Finance Corporation—part of the Investors in Industry group—gives some new insights into the small firms sector in the UK.

Though somewhat dated in that the survey covers up to the end of the 1970s, ICFC believes that an "acceptable" proportion of its companies in 1979-80 seemed capable of weathering the stormier economic climate of subsequent years. The corporation also claims its portfolio showed a higher growth rate than a sample of larger companies prepared by Government statisticians between 1977 and 1980 in terms of total net assets and combined turnover.

The survey is available from ICFC, 91 Waterloo Road, London SE1 8XP.

●

AN unusual venture capital conference is being held in London on September 24, which consists of a seminar to help entrepreneurs get finance, together with a mart for introducing investors to potentially interesting high tech opportunities. The idea is to foster better links between the City of London and the computer fraternity. Booking details from Philip Virgo, Technology Assessment Services Manager, The National Computing Centre, 11 New Fetter Lane, London EC4. Tel.: 01-353 4875.

●

THAMES Polytechnic is running a course designed to marry redundant managers with small firms needing their skills. The managers undergo a crash reorientation programme, then spend 10 weeks with a suitable company. Funds are provided by the Manpower Services Commission. Details from Jackie Severn, Small Business Unit, Thames Polytechnic, Wellington Street, London SE18. Tel: 01-854-2030 Ext 486.

●

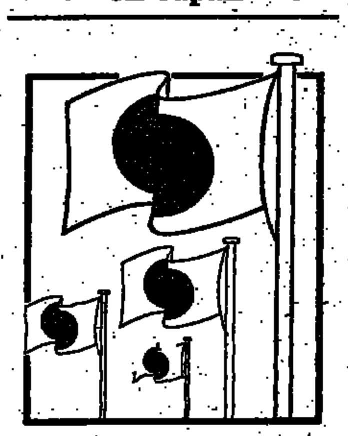
A NEW magazine aimed at the independent businessman is to be launched next month. "Your Business" will be published by Centaur Publications, itself a new venture started by former Morgan Grampian chief executive Graham Sherrin and backed by leading City institutions.

Your Business, which is being launched with a £350,000 promotional budget, will appear fortnightly, price 60p.

Tim Dickson

## Conditions are worsening

**Roy Garner concludes a series on international small business with a report on Japan**



SMALL BUSINESSES proliferate in Japan in a way which is often a source of delight to the European visitor. A stroll down a city back street commonly reveals every manner of intriguing small enterprise from cutlers and umbrella dealers to family engineering shops and shoemakers.

Numbered among these are many artisan traders such as have almost entirely disappeared from the scene in, for example, the UK, as a result of competition from large-scale businesses.

Such scenes serve to remind one that, despite its popular "Japan Inc" image, the country is a bastion of small-scale enterprise.

No less than 99.6 per cent of all business establishments come in the small business category as defined by the Ministry of International Trade and Industry's (MITI) Small and Medium Enterprise Agency, ie capitalised at no more than Y100m and with under 300 workers. Such businesses contribute 52 per cent, in value, of Japan's entire annual commercial shipments and employ 81 per cent of the national labour force.

The links (as subcontractor, subsidiary, etc) which often exist between these smaller businesses and larger-scale concerns are traditional, deeply entrenched and fundamental to the success of both parties; a simple manifestation of the "family hierarchy" of much in this close-knit society.

The continuing survival and success of these myriad small businesses owes much to government policies which offer comprehensive financial support services and guidance facilities and in some cases regulate the size and location of certain business activity.

Supermarkets, for example, restricted in their size and opening times, are a major factor in the continuing survival of the local "corner shops." In the agricultural sector, farms of over 11 acres are not allowed.

Such "understanding" and protection from the government has rarely been as sorely needed as at the present time. Small businesses are under fire from several quarters, catching the brunt of the effect of the general recession and the high level of real interest in Japan. Bankruptcies in 1982 hit record highs, totalling 17,122 cases and averaging about 1,500 per month.

Some of the worst hit have been the small subcontractors, especially in engineering fields, whose orders have been cut as the first line of defence by parent firms looking for economies.

The larger companies have also been able to demand higher quality goods at lower prices, which has led small companies to seek help by the introduction of robots, and other forms of automation, a trend which has begun to be reflected in unemployment figures.

Three main channels for government-aided financing are offered to small businesses by the Japanese Government, together with a public credit system and a variety of organisations offering management and technical guidance.

The largest finance organisation dedicated to the assistance of small businesses, and offering both short and long-term lending is the Co-operative Bank of Commerce and Industry.

It compares with the top 10 banks in terms of loans outstanding, and obtains most of its funds from the private money market, especially through long-term bonds.

Long-term lending is also available through the Government-capitalised Small Business Finance Corporation, which specialises in helping independent enterprises, using funds from a budget maintained by the Ministry of Finance, and from the Peoples Finance Corporation which concentrates on organisations with 20 or less employees and a maximum capital of Y10m.

The Public Credit Supplement System consists of 52 credit guarantee associations nationwide, funded largely by prefectural government bodies, which guarantee loans from financial institutions to small businesses. These are backed up by the Government-capitalised Small Business Credit Insurance Corporation, which is the insurer of the great majority of these guarantees.

The credit guarantee associations have been operating with large deficits for the past four to five years.

Small business guidance is primarily handled by local Chambers, and Societies, of Commerce and Industry, which are equally subsidised by the local, and central, governments.

There is also a Small Business Corporation, which maintains special educational institutes, assists in the upgrading of loans and provides voluntary mutual relief schemes.

Despite the comprehensive assistance on offer, however, conditions have continued to worsen in the small-business sector.

Average wages slumped to 65 per cent of the level prevalent in corporations with over 500 employees in 1981, compared with 70 per cent in 1971 and no recovery is yet in sight.

According to the MITI agency, 70 per cent of small firms now feel the need to develop new products by modification of their information and management techniques, and by the introduction of new technology.

However, at least a third of such firms are reportedly frustrated in these aims through financing difficulties and a shortage of sufficiently skilled personnel. Companies also lack the confidence to invest, in the current economic climate.

Small firms are presently demanding comprehensive relief measures from the Government, including the stimulation of domestic demand by an expansion of public works spending, tax cuts and an extension of long-term low interest loans.

The government's awareness of their plight is reflected in recent measures to strengthen the bankruptcy prevention consultation system and by moves to improve mediation procedures between contractors and subcontractors in order to ensure fair access to public sector orders.

## BUSINESS OPPORTUNITIES

# TECHNOLOGY

EDITED BY ALAN CANE

POWER FROM HOT ROCKS UNDER DEVON/CORNWALL

## Testing time for geothermal energy

BY ELAINE WILLIAMS

"WE BELIEVE that this is a make or break period for geothermal energy," said Dr Anthony Batchelor, principal investigator at the Camborne School of Mines. He is heading up Britain's research into this form of alternative energy.

In September the next stage in the work to provide heat and power from rocks far beneath the surface of the earth will begin. The Department of Energy has just committed a further £11m to geothermal energy over the next three years. By 1986, Britain will have spent a total of £21m on "hot rocks."

Out of all the possible alternative forms of energy only wind and geothermal still remain hopeful for widescale exploitation in the UK. Some estimates of the UK's reserves of geothermal energy has been put as the equivalent of 10bn tonnes of coal.

In essence, geothermal energy is the heat within the earth itself. It is a resource which, in theory, could be tapped anywhere on the earth. The advantage of this form of energy—above any other—is its availability on a continuous basis. This avoids the need for large energy storage systems and makes it one of the most attractive forms of alternative energy.

Dr Batchelor's research programme—set in motion in 1970—has been studying methods of exploiting a resource estimated to be equivalent to all Britain's coal reserves — under Devon and Cornwall alone.

Already more than 2,000MW of electricity is created worldwide from geothermal resources with several tens of thousands of megawatts of direct heat. In Iceland, for example, some 70 per cent of the country's energy needs is obtained from geothermal energy. Geysers in California produce—more than 1,000MW of electricity a year on a commercial basis.

Dr Batchelor says that the concept of the extraction process—known as the hot rocks method—Camborne is studying is elegantly simple. Anywhere on earth, he says, the temperatures increase as greater depths are reached. The problems comes in creating holes or paths in rocks so that the heat can be extracted and used.

Though pioneering work was done on this at Los Alamos National Laboratory in the U.S., Camborne has refined the technique so that it can be used in the UK. The key to the process is to produce a circular path in the rock so that water can flow round the system to take out the heat.

Camborne School of Mines has tried to use natural cracks in the rock—suitably widened—to pass water through. The school has drilled to major boreholes to a depth of 2,000m and a temperature of 80C in the Cornish granite.

Dr Batchelor explained at the British Association on Friday that the use of this resource is restricted to those parts of the world where the hot magma—part of the earth's molten core—can break through the crust to depths where man can reach it. This is generally at depths down to 8,000m.

In some areas of the world where the groundwater naturally circulates then natural geysers and steam wells will produce substantial quantities of heat from the hot rocks.

In the UK such as in the Wessex basin—which stretches from Southampton towards Bournemouth—there are buried hot water resources but they are not recharged. So taking out the heat is similar to the process of taking petroleum from an oilfield.

Dr Batchelor said that hot dry rocks systems will always be made up of multiple pairs of wells. He estimated that to be economic, a geothermal production well must be twice as productive as a naturally occurring well.

Work at Camborne has so far revealed that there are substantial quantities of hot water at 55 degrees C at depths as shallow as 300m below the surface. There are naturally occurring cracks in the rocks which has been widened by high pressure jets of water to enable extraction to take place.

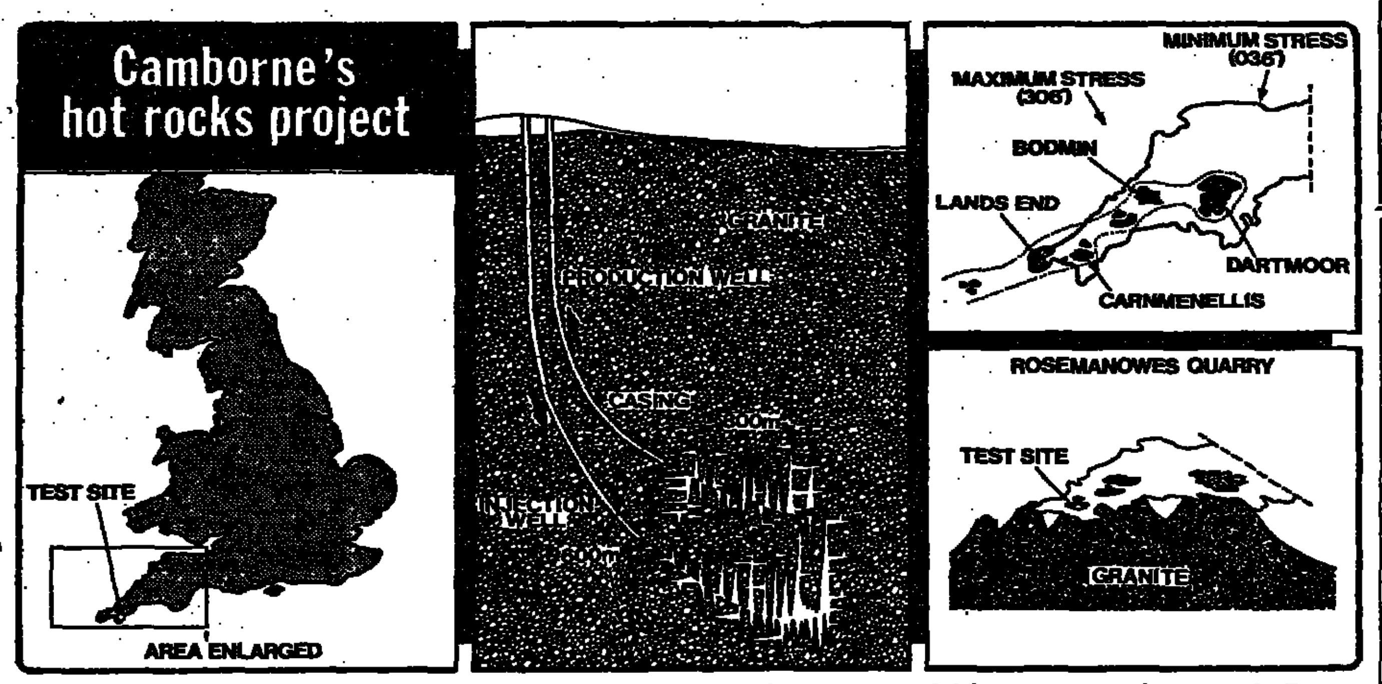
There is still uncertainty about the technology behind the extraction. But Dr Batchelor says that the next three years will definitely prove or disprove Camborne's theories.

If successful the next stage would be to construct a pilot plant capable of producing up to 10MW of electrical power and between 50 and 100MW of thermal power. The cost for such a project would be in the region of £40m. Dr Batchelor said that such a project would have to generate revenues of up to £4m giving a 10-year payback.

Even if the long-term future of geothermal energy is assured at the end of the next phase, the question of who sells and distributes the energy still remains. At present the Government is uncertain how this should be organised. There are several options which include:

- Putting the management of geothermal energy into the hands of private industry. Companies such as Shell, Union Oil and Geothermal Resources International have experience in this form of energy. It would be possible to fund the development of the wells on a private basis using tax incentives and loan guarantees as was done in the U.S.
- Setting up a separate body to run Britain's geothermal energy resources.
- incorporating geothermal energy into an existing body such as the Central Electricity Generating Board. The problem here is that the CEGB does not handle combined heat and power systems and it would not sit easily within their existing portfolio.

Dr Batchelor believes that the UK can learn many lessons from the U.S. companies where geothermal energy is being produced on a profitable basis. So far the project in Cornwall has run to time and budget. Dr Batchelor said the object of the research programme to date has been to demonstrate that hot dry rock reservious of sufficiently large size exist to support extraction. The final goal remains to prove that this extraction is economic and to develop the extraction technology. Camborne School of Mines has three years and £11m to do just that.




Schematic representation of a hot dry rock reservoir formed by stimulation of natural joints, centre; project areas in Devon and Cornwall, right



Networking

## Mixing computers

DATA TRANSLATION of Slough says that it can now offer from Interlan of Westford, Ma., the industry's most complete approach to multi-vendor personal computer networking.

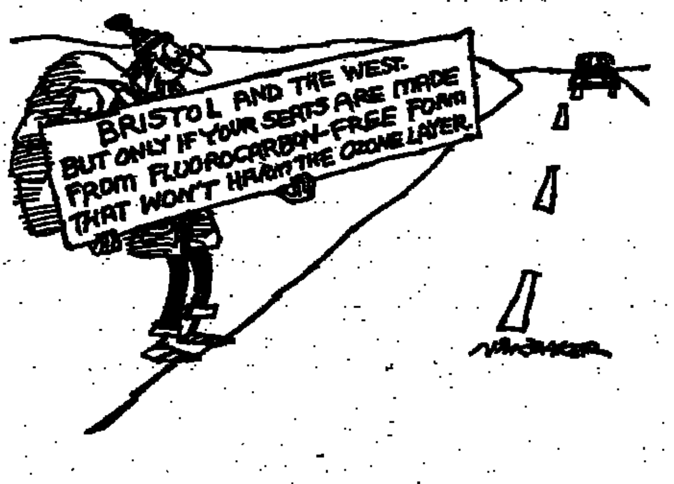
File transfer and terminal emulation software packages have been released for 12 different PCs, two microcomputer development systems and four host minicomputers.

Used in conjunction with Interlan's new NTS10 terminal server unit, PC users of 12 different makes of machine can perform transparent ASCII file transfers via a few button depressions. Similarly, a PC can talk to a host or to a peripheral device anywhere on networks based on Ethernet technology.

The software establishes a "virtual circuit" between the various devices which is transparent — without any special software running at the other end of the virtual circuit connection. The PC's communication port is easily configured says the company and the information can be saved and restored in local PC files. More on 06286 3412.

ENVIRONMENTALLY PREFERABLE TECHNIQUE SAVES MANUFACTURER MONEY

## How to make polyurethane foam without fluorocarbons




ENVIRONMENTAL scares ebb and flow, so it's increasingly difficult to remember the outrage during the 1970s over the fate of the earth's ozone layer.

At that time, millions were convinced that fluorocarbons—a propellent in many kinds of aerosol sprays and an ingredient in the manufacture of polyurethane foams—were eating away at the earth's ozone. Fearful of alarming environmental effects, many countries, including the U.S., banned fluorocarbons from aerosol sprays in the late 1970s.

Now, according to the United National Environment Programme Co-ordinating Committee on the Ozone Layer, the long-term depletion of ozone due to fluorocarbons (considered in isolation) is now down to 3 to 5 per cent, compared with 10 to 15 per cent calculated in 1979.

This decrease is due to new data on certain chemical reaction rates. Further, the committee has stated that this lower depletion rate can almost entirely be offset by increases due to other trace gases.

The fears over fluorocarbons, however, have not been entirely erased. The substance's general reputation, despite recent vindications, continues to be poor. As a result, a replacement for fluorocarbons in the manufacture of flexible polyurethane foam is still likely to receive a warm welcome, especially if the replacement can save the manufacturer money at the same time.

Innochem, a speciality licensing company based in Switzerland, has licensed such a process. It was invented by an employee of Kabel und Gummiwedke in Belgium and is based on the use of formic acid, rather than fluorocarbons.

In its simplest form, formic acid reacts with an isocyanate in the same way water does in the traditional process for making flexible polyurethane foam. The difference is that formic acid produces double the quantity of gas for expansion of the foam, giving it the desired flexibility which makes it so suitable for bedding, furniture and car seats. As a result, the use of formic acid obviates the need for inert flowing agents such as fluorocarbon 11.

The additional gas which is liberated in the reaction, however, is carbon monoxide, another substance with an unpleasant reputation. Innochem maintains that the average 4,000 ton a year foam plant using its technology will only emit the same amount of carbon monoxide as 80 motor cars would in a year.

At the same time, the process will displace 200 tons of fluorocarbon 11. This release of carbon monoxide will require any users of the process to make some modifications for ventilation and monitoring to their plant. In addition, some non-speciality pumping equipment will be required. These modifications, according to Innochem, will cost the average company between £5,000 and £10,000.

As for savings, the manufacturer will only require 50 tons of formic acid for every 200 tons of fluorocarbons it formerly required. For example, a company producing 5,000 tons of foam per year and spending 3 per cent of its total raw material costs on fluorocarbons should save around £60,000 per year.

CARLA RAPOPORT

# BUILDING AND CIVIL ENGINEERING

FINANCIAL TIMES CORRESPONDENTS ANALYSE GLOBAL TRENDS IN HOUSEBUILDING

## Still bad news on the new homes front

THE SORE thumb sticking prominently from this month's otherwise promising U.S. industrial production figure was housebuilding. While general production showed a 1.8 per cent rise in July, U.S. housing starts revealed a minute but ominous drop.

At the same time, the Fédération Internationale Européenne de la Construction (FIEC)—Europe's main monitoring body—published a deeply gloomy half-yearly report on the state of the industry.

The FIEC report, compiled by its economic experts group and incorporating data on Spain, Portugal, Switzerland and Sweden in addition to the EEC countries, warns that this key indicator is still declining in 1983, though at a slower rate

In the housebuilding sector—usually the first to demonstrate an upturn for construction—the broad trend continues to slide downwards. Even in the UK, which with West Germany is showing some growth, figures published last week showed a seasonally-adjusted 19 per cent on the first quarter.

Though this is accounted for by uncertainty over mortgage rates and the general election outcome. Britain's building materials producers and Government analysts suggest a stabilising or slight fall in house starts next year with no further improvement in 1985.

**Japan**

**Japanese housing construction has had little impact on the country's economic performance after a decade in the doldrums. Few believe it will have much effect in the foreseeable future.**

**A revision of earthquake construction standards prompted a mini-boom in 1981. A similar small spurt was induced last winter by a special low-interest loan programme launched by the Housing Loan Corporation.**

**Nomura Research Institute projects some slight recovery in the second half of the current fiscal year, which began in April, but full year housing starts at 1.16m unit will only be a fractional rise on the 1.15m units of 1982.**

**France**

**A glimmer of light in the first quarter, showing a 16 per cent rise to 26,000 in new houses sold against the same period last year, has now faded.**

**Forecasters now predict stagnation in new housing starts next year at about 300,000. With the Government preparing a further squeeze on public sector contracts in next year's budget, there is little hope of an imminent upturn.**

**The Euroconstruct forecasting group projects a 5 per cent volume fall in general building works activity in France next year after a 5.2 per cent drop this year and a 3.9 per cent decline in 1982.**

**United States**

**Rising interest rates are damaging the U.S. housebuilding industry more dramatically than the official housing start figures indicate, according to the National Association of Home Builders.**

**Seasonally adjusted housing start figures for July showed a 0.6 per cent fall for the second consecutive month but the NAHB claims that this total is inflated by starts for multi-family units.**

**U.S. builders constructed 74,000 of these units in 1982 under the rent subsidised programme for lower income groups, but this will fall to 14,000 this year when the programme ends.**

**West Germany**

**Concessions on taxes and interest rates have lifted house building in West Germany from a deep slump, despite some agonised doubts for the future from some sections of the industry.**

**Current forecasts predict a real rise in housebuilding activity of 5 per cent this year, after a modest uplift in the first half accelerates in the second. Ministers now estimate a year's total of 400,000 house approvals—a sharp increase on last year's 335,000, the lowest since the war.**

**Pessimistic voices point out that this trend will not feed through for some time. Completions will be less than last year's 347,000.**

Elsewhere, housebuilding looks set to hit new lows in 1983. Worst comes Belgium where, after two years of declines of over 40 per cent, a further 10 per cent fall off is anticipated, due to a continuing decline in demand.

In France, FIEC predicts a further 3 to 5 per cent fall this year, while the Netherlands' is expected to drop back by 8.5 per cent — a worsening of last year's 5.1 per cent figure.

While Ireland and Denmark should hold building rates steady after a disastrous 1982 (down 25 per cent and 14 per cent respectively), Italy is forecast to record a further 2 per cent downturn.

The significance of housebuilding decline is demonstrated most vividly in countries' unemployment figures. According to British estimates, the sector is regarded as a key generator of employment, greater than any other industrial sector.

Each house built, for example, is believed to create at least 2.5 new jobs — the majority in building itself, but with others following in allied trades and professions from the building materials industries to professions such as architects and estate agents.

As a result, governments are coming under increasing pressure from politicians, housebuilders' federations and trade unions to stimulate the sector.

West Germany has had most success in this field, with special Government measures, lowered credit rates for housebuying and falling production costs fuelling the upturn.

Measures taken in France and the Netherlands have failed so far to boost the sector, however, though the Dutch Government is expected to renew attempts to increase sales while keeping house purchase interest rates at the lowest levels possible.

With the sole exception of West Germany, non-residential construction orders are expected to decline in all the countries under examination in the current year. Across Europe, continued restraint on public expenditure is cutting capital spending projects and thus building order books.

Buoyancy in the renovation and refurbishment market—usually a boom sector in recession—is losing pace, according to FIEC. Civil engineering projects are also declining though there are some positive signs in Spain, Sweden, and Switzerland.

The most encouraging news from FIEC is that foreign contracting is continuing at energetic levels, though this too is under pressure.

In the meantime, the greatest signs of hope for European builders must lie in the U.S. trends along with prayers for lower interest rates.



CONTRACTS

## Gammon to build £21m Hong Kong Government offices

The Hong Kong building development department has awarded a U.S.$32m (£21.5m) contract to **GAMMON BUILDING CONSTRUCTION** for the construction of a government office building at Queensway in the middle of the business centre. Work on the building, next to the new supreme court, now under construction, will be completed in about 36 months. It will be 47 storeys tall with a four-storey podium. Next to it will be a seven-storey "L" shaped block, providing about 54,000 sq metres of office accommodation and car parking facilities. This is one of the office complexes being built to help reduce the shortfall of government office accommodation.

An eight-storey block under construction in Sai Hung, a nine-storey building above the Sha Tin railway station, a seven-storey block in Tuen Mun town centre and the 27-storey harbour building.

Mr Joseph Lei, acting director of building developments said that the largest will be the Government complex at Harbour Road on Wan Chai reclamation, estimated to cost about U.S.$211m (£141.5m) it will comprise six blocks of government buildings — district/magistracy building, a science building, a public car park, a fire station and two office towers. Both 49 storeys high, they will provide a total of 200,000 sq metres of government office space.

*

**RUSH AND TOMPKINS** has a contract for a £14m project to divert the Amarti River, a tributary of the Blue Nile on the Central Plain of Ethiopia.

The contract, for the Ethiopian Electric Light and Power Authority, includes construction of an earth/rock fill dam 700 metres along the crest to a height of 16 metres, which will involve the movement of some 558,000 cu metres of earth and rock fill, and the building of 20 km of gravel-surfaced permanent access roads. A 3 metre diameter tunnel, 1.6 km long and concrete lined, will be driven in sandstone rock and will take the diverted river into the existing reservoir which feeds the 100Mw Finchaa hydro-electric power station. A 20 per cent improvement on energy output will result from these improvements.



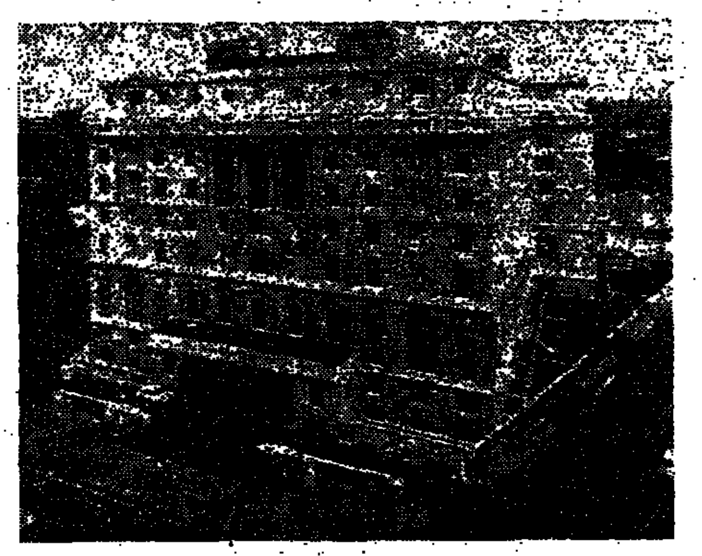
## Renaissance of a faded beauty

THE ADELPHI HOTEL, near Liverpool's Lime Street Station, is probably the most imposing symbol of the city's fall from glory. When it opened in 1914 it was rightly hailed as one of the five best in the world. More recently, accelerating dinginess testified to British Rail spending only £13,000 on maintenance in the last two years of owning it.

Now the Adelphi—where Harold Wilson used to spend election night—is about to be born again, a renaissance that will bring some joy to the Government and, if all goes to plan, a lot of regeneration to Merseyside.

For the scheme that will create what is likely to be the third biggest exhibition-cum-conference centre-cum-hotel complex in Britain is one of the first large-scale examples of public and private sectors jointly funding urban renewal.

The private sector input is coming from the Manchester-based Britannia Hotel Group, which bought the Adelphi from BR in March. Britannia had the Adelphi valued at £1.3m after tenders had been invited but managing director Alex Langsam decided to gamble that no one else would bid for such a potential white elephant and offered just under £1m.



Refurbishment gamble at Liverpool's Adelphi.

His hunch paid off and BR leapt at the chance to be rid of a monument to a better yesteryear that was losing an annual £250,000. But Langsam could only go ahead with his plans if he also got public sector support. Total cost is projected at about £5m. Last week Lord Bellwin, the Environment Minister, announced £1.3m of urban development grant towards the scheme.

Three-quarters of this will come from Government and the rest from Merseyside County Council. Overall, the figures comply with the formula promulgated by Mr Michael Heseltine, now Defence Secretary, when he was "Minister for Merseyside" in the wake of the 1981 Toxteth riots.

He envisaged that key regeneration schemes could be financed by £2 of private sector money for every £1 put up by central and local government. The public sector contribution was designed to make otherwise unviable projects potentially profitable.

Langsam's scheme includes not only restoration of the hotel to its Edwardian elegance but also the purchase and development of a disused ice-cream factory behind it as an exhibition hall. He says that only London and Birmingham will be able to offer anything bigger and that facilities at Harrogate and Brighton will look small in comparison,

To get exhibition and conference business, he is forming a joint promotion company with the county council. Last week saw a firm inquiry for a conference and exhibition requiring 1,000 bedrooms in the autumn of 1985.

That sort of success would be greater than even his regenerated Adelphi could handle with its projected 370 rooms, so all of Liverpool's hotels would stand to benefit—perhaps mollifying their complaints about Government help for a competitor.

By then the Adelphi's rooms will have been refurbished and all will have bathrooms en suite. Only 140 are in use at present but Britannia's management has now got occupancy up from 38 to 60 per cent.

BR gutted the top two floors so these will be filled with modern-style hotel rooms. The Adelphi's old rooms, however, will all be restored to what they once were—imitations of first-class state rooms on transatlantic liners, complete with gigantic baths and specially wide doors that opened outwards so that passengers in overnight transit from Lime Street Station to the Princes landing stage at the then teeming Liverpool Pierhead could have their trunks wheeled in without hindrance.

Langsam has raised most of his share of the money from long-term loans—a fair indication that the money market has some confidence in his plans. Why this should be so derives from the outstanding success he and his partner Michael Morton have had with the Britannia Hotel in Manchester, from which the group gets its name.

This was once a cotton warehouse in the city centre. Langsam and Morton were builders looking for something to develop as recession hit their business; so they bought it and transformed it into an amazingly successful hotel.

The Britannia's stunning decor and spectacularly elegant, gold-leafed flying staircases give only a hint of what can be done putting a sound old building to rights. In the Adelphi's case, the basic raw material is even better.

Langsam believes that only relatively small, independent outsiders like Morton and himself can take on such tasks. He says that the big hotel and leisure groups would see the effort involved as a distorting diversion of resources and that such projects need entrepreneurs on the ground managing their own risk.

It is the sort of thinking that keeps the hotel staff on their toes and providing the service that people want to pay for. Langsaw says that there is a touch of show-business involved. It is why there is a notice on the backs of the doors leading from staff areas into Britannia Hotel public spaces. It says: "Smile! You are about to go on stage."

IAN HAMILTON FAZEY

## Edinburgh Festival 1983

# Vienna & Venice, Boston & Bali

Edinburgh's "Vienna 1900" theme is cleverly expounded in Peter Vergo's bitty, suggestive exhibition in the National Museum of Antiquities, where the aesthetic character of solid *bürgerlich* life — buildings, costumes, furniture, social manifestations — is illustrated as well as the radical reactions to it. At the Assembly Hall the Glasgow Citizens' Company plays Hofmannsthal's *Rosenkavalier* text, sophisticatedly class-ridden and "wise," and Karl Kraus's *angry Last Days of Mankind*. The concert programmes, as I remarked in an earlier report, are narrower and more partial; the conservative background is barely represented, and the retorts it prompted — except for the fascinating Zemlinsky music — are illustrated only by familiar works of the "second Vienna school."

Of these, Schoenberg's 1909 monodrama *Erwartung* — sung on Thursday by Phyllis Bryn-Julson with Claudio Abbado and the London Symphony — retains the greatest disorienting power. Written "at white heat," as they say, in a few days, it denies the listener any *stable* footing—no tonal basis nor symphonic plan, not even a clear dramatic structure. Its Expressionist heroine (who may or may not have murdered her lover, may or may not come upon his corpse) wanders distraught; the orchestra keens and shudders with her, seethes obsessively, erupts.

Potent histrionics by the soprano can indicate a direction for that *lava-flow*, but Miss Bryn-Julson's unshakeable composure couldn't. Instead she offered an exquisitely musical line, refusing to force at climaxes, and left Abbado to weave the exotic musical fabric around her. He did that with the utmost refinement, illuminating many difficult corners; one was fascinated, if not gripped. The brilliantly-thorough preparation might have been achieved at the expense of Beethoven's "Eroica" Symphony, which followed, but no: the opening Allegro was not only super-polished, but had a wonderful breadth and easy majesty that one had supposed outside Abbado's intensive range. If his underweight Funeral March had matched the rest it would have been a great performance, and it was a memorable one anyway.

Scottish Opera gave a single performance of Britten's *Death in Venice* on Friday, in their co-production with the Geneva Grand Théâtre. Jean-Claude Maret's ingenious Swiss *machinery for shifting palaces* and gondolas worked—well, like clockwork, though the King's Theatre allowed us too close a view of the works. More evocative Mediterranean light was needed, and much subtler handling of the minor roles. Roderick Bryden's treatment of the score was over-bright and candid too, but it gathered power in the second half.

Barry Mora took the multiple agent-of-fate roles efficiently, repressing the temptation to show off "versatility" in different funny-hat turns. The musical opportunities he gets are not generous. The leading role of the haunted Great Writer is more problematic: it was designed for a tenor of imposing presence and gravity, restricted vocal means and precise musicianship, and Anthony Rolfe Johnson really qualifies only on the last count. The libretto (unlike the music) presents Von Aschenbach far more simply than Thomas Mann's ironic original, and the producer François Rochaix allowed Rolfe Johnson to seem from the start a choleric, self-important little man.

The result was to make him a ripe candidate for embarrassing *self-discoveries*, and his passion for young Tadzio the explosion of a shameful secret. That wasn't Mann's point at all, though I fancy that Britten—and Visconti !—saw it differently again. (The reception of the opera was further tempered, I'm sure, by the fact that many of the audience had just seen on television news the Scottish headmaster who blew the gaff on the Paedophile Information Exchange, an unsavoury business.)

Aschenbach's literary-philosophical rhapsodies around Tadzio in the novel are one thing, a stage-stripling in clinging bathing-costume quite another. Britten's unhappy notion of ending Act 1 with an Apollonian vision of "Greek games"—dramatically inert—was realised here as a junior sports day. Not all Rolfe Johnson's intelligence and finesse could make the opera's more elevated ambitions *dominate*.

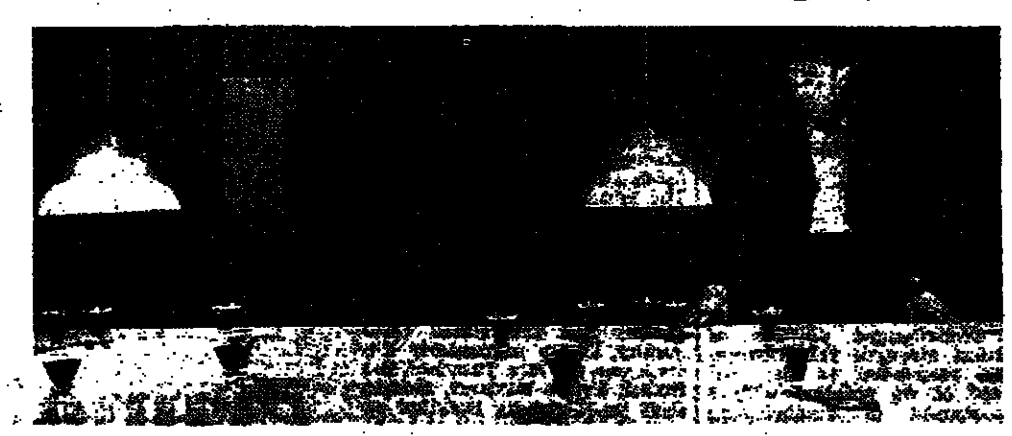
In the Assembly Rooms there were gamelan performances from Bali, complete with charming dancers enacting opaque fables in mime (a cheerful, wide-eyed horse was slain and magically revived). The music—sonorous, repetitive and ever-fresh—was not so many thousands of miles from John Cage's *Credo in US*, performed by the Boston Musica Viva in their Queen's Hall concert on Friday. Cage's ostinato games are arranged around contemptuous tape-snippets of European music (Dvořák this time, but the choice is left open); it is a bracing de-mystification, and was excellently played. Wit and transparent honesty, no half-lights, no pretensions.

In the final reckoning, however, Europe won, for Webern's brilliant reduction of Schoenberg's 1st Chamber Symphony for a *Pierrot* ensemble carried splendid conviction. The American art-music (which Cage's isn't) brought from *Boston was thin*. John Thow's *All Hallows* was a commendable academic product, thoroughly informed by good taste and educated resource, without any striking idea to communicate. Ellen Taafe Zwilich's *Passages*, on twee poesy by A. R. Ammons (bravely sung by Elsa Charlston), was much worse: crude chamber-writing choked with instrumental doublings, striving for declamatory orchestral effects. How could a pupil of Roger Sessions and Elliott Carter produce such cack-handed stuff?

**DAVID MURRAY**

# Sculpture at large

Hayward Annual Time has come round again, and this year the festival is kept by an event so swollen physically that it has spread across London to fill the Arts Council's other principal showcase, the Serpentine Gallery in Kensington Gardens, and occupy something of the surrounding countryside and the terraces of the South Bank besides. Its subject is Sculpture, more particularly the work of some of the middle and younger generation of British sculptors.



Bill Culbert with light and glass sculpture at the Serpentine

It is a kind of federated anthology, for each of the three selectors — Paul de Monchaux and Kate Blacker (sculptors themselves and both showing their own work) and Fenella Crichton (who is a critic)—has invited 16 artists or so to take part. Between them they manage to leave out all senior artists, all those who established reputations in the 1940s or before, all those of the 1950s and "the Geometry of Fear," and virtually all of the New Generation of the 1960s.

There is nothing of St Martin's heavy metal, no weight-defying or space-invading painted steel and coloured Fibreglass, nothing from the Stockwell Depot. Exclusion, moreover, is not entirely retrospective, though the artists continue active and even flourish yet, but is visited upon such contemporary developments as the figurative and anthropomorphic symbolism of so much recent carving. There is almost no direct figuration at all, just plenty of figurative reference.

It is the received wisdom that the British are rather good at sculpture, and the reputation, in modern times at least, is not altogether undeserved. Certainly ever since the last war our institutions have championed the work of our sculptors at home, and the British Council has never ceased to promote the cause abroad. Major show has succeeded major show, with this simply the latest in what is sure to be a continuing series. But, coming as it does at this moment, it is especially useful, for it gives us a view into a curiously shifting and various world.

What we see is an old order not so much being challenged and replaced in simple revolution, but rather being broken up, turned over and recycled, peered into like the oracle, old orthodoxies, rites and ancient practices revived and re-established. Displaying its wares before us in the Park and by the River is the dissenting revisionist academy of the nearly young; and we can detect two distinct strains, the one formal and principally engaged with material and technique, the other more directly engaged with idea and image. The distinction is one more of emphasis than actual separation

From those three lists we can pick out a number of artists who, coming out of the art schools in the later sixties, principally the Royal College and St Martin's itself, offered in their work alternative approaches to the narrower formal othodoxy and practice of St Martin's. There was a renewed feeling for the direct manipulation of material, a growing interest in the associative exploitation of discrete and disparate elements, and in the suggestion of incident and secret history as in the discovered conjunctions of an archaeological dig.

Above all, there was the move, at first through a minimal exposition of the sculptural idea or concept, towards disciplined but romantic and direct involvement in the landscape, and with the found, largely unworked but signified object.

From such general leads follow, for example, the remarkable revival of stone-carving on the one hand, and there are very many beautiful examples shown (Stephen Cox, Christine Angus, de Monchaux himself, Anne Nicholson), and the direct employment of modelled clay, put to rather more obviously symbolic or surrealist expression (Anish Kapoor, Shirazeh Houshiary, Judith Cowan): on the other the ad hoc and gleefully opportunist response to found material, and its wry, ironical or savagely surrealistic redeployment (Kate Blacker, Tony Cragg, Bill Woodrow, Richard Wentworth, David Mach with his ill-fated submarine).

The shadow of Richard Long falls long indeed over this company. His example, and that of artists like Barry Flanagan (who is not represented) and David Nash (who is), lies now not in their actual subject-matter so much as in their attitude towards it, their demonstration that anything at all may be used as the legitimate stuff of the artist. And these younger artists, no longer followers at all, have moved into, as it were, the later, the Baroque phase of Romantic Conceptualism in sculpture.

Their approach is not one of formal invention but rather of formal opportunism, taking things as they come, not developing an idea so much as exploiting its potential for variation. It is easy to see why their work should elicit so furious a response from the general audience, for it is, ironically, manifestly accessible and easy to read as it challenges that public's expectaion of what sculpture should be.

It stands nevertheless in the direct line of those more elegant and charming manifestations, that caused such trouble in their turn, those stone circles, mud rings and lines of twigs.

**WILLIAM PACKER**

# Great and Small/Vaudeville

**Michael Coveney**

It is extraordinary how theatre audiences, even in 1983, when confronted with a production a little different from the general run of the mill walk about—and often out—in high dudgeon. The media piles in behind sniffing the welcome smell of disaster. On tour, Botho Strauss's *Great and Small* has been subjected to this Philistine party game. It turns out to be a highly entertaining, imaginative series of perfectly comprehensible vignettes about a disoriented woman fated to end up as a bag lady.

You know what it's like when people mumble to you on tube trains or at bus stops. It is clear from the opening scene that Glenda Jackson as Lotte is just such a person. She is on a package tour in Morocco, phoning home, as it were, from the shopping precinct that is Agadir. After four years of marriage, she is on the brink. The play, translated from the German by David Essinger, proceeds not as a sociological case history, but as a brutally funny and sensual exploration of her plight.

It is certainly un-English in this respect, but not oppressively Teutonic as our friends who vacated the front stalls in the interval might have believed. Keith Hack's wonderfully confident production has a box of Perspex panels designed by Voytek in which we see Lotte tracking down her journalist husband in a cheerless apartment block; trying to make contact with an old schoolfriend; visiting her brother in a brilliant scene of domestic disintegration by the sea; and clutching at her last straw in the play's funniest sequence as a sexually exploited secretary to a ludicrous official in the Parks department.

Lotte's cry is both for help and privacy, and Miss Jackson conveys the hopelessness behind this dilemma in a matchless performance that goes right to the nerve centre of Strauss's pessimistic vision. Her qualities of authority, unfussed projection and lively querulousness — not to mention comic timing — have rarely been seen to better advantage.

What I like especially about the evening is its sureness of touch and sheer freshness in comparison to anything else in London. Mr Hack's cast is a mobile gallery of sharply etched characters—Barry Stanton as the husband and the bureaucrat, Mary Sheen as an old woman mistaking Lotte for a lost daughter, Marty Cruickshank as a bored, expensively dressed housewife, Emma Piper as a *lascivious* neighbour and languidly wealthy sister-in-law. In a remarkable street scene that closes the first half, Jeffery Kissoon as a balletically drunk Turkish immigrant and Brian Deacon as a whoring sailor transmit the hilarious horror of our inner city nightmare.

The play carries a truly poetic dramatic weight. Scene changes are managed by a stage crew in yellow wellies and building site helmets. The design metaphor of an impersonal plastic world takes on a detailed resonance as Lotte joins the patients in a doctor's waiting room who are all garbed in plastic macs.

She pushes a supermarket trolly full of plastic bags. She will melt, unnoticed, into the background of black bags on the rubbish heap, a failure in a society doomed to interminable bouts of leisure activity, mistakenly convinced she is one of the privileged club of 36 righteous men who hold the planet together at any one time. It is a desperate image of our time.

In a large subsidised house we would have all nodded wisely and consigned the experience to a pigeon hole on the cultural bookshelf. To find this piece, and this production, in the commercial sector is both astonishing and encouraging.

# South Bank Summer Music

For the second week of South Bank Summer Music the Songmakers' Almanac presented a series of early-evening recitals under the title of "War and Peace." Friday's at the Elizabeth Hall bore the additional appellation of "Reviewing the Troops," and presented a medley of predominantly First World War songs in semi-theatrical packaging before Robin Holloway's *Women in War*, which the Almanac had introduced at the Round House last March.

Then Holloway's "Review for four female voices and pianoforte" was designed as a companion piece to Janacek's *Diary of one who disappeared*, and in that context it also toured on the Arts Council Contemporary Music Network. But in its new format I fancy its impact would be slightly blunted. Graham Johnson's slick confection of music-hall songs and poetry covered much the same ground —the ideas and attitudes of the British during the First World War—as *Women at War*. The ground is retraced in a less obvious way in Holloway's work, through a marvellous array of women's poetry left unattributed by the composer; its effect is more profound, of course, but lessened by having to put its audience through an already familiar set of emotional hoops.

It *is* still, however, one of Holloway's most successful and attractive vocal compositions. The quartet of female voices (as in the earlier performances, Miriam Bowen, Carolina Friend, Linda Hirst, and Patricia Taylor) is used with great imagination and skill—in solo, duet, and together; the piano writing is rich and complex. Holloway's debt to and regard for Britten has never been more obvious than here; there are textures from *Grimes*, and in the piano and solo writing especially, from the Hardy cycle *Winter Words*. But they are thoroughly integrated into an idiom that combines astringency with lyrical poise, folk material with late Romantic effusion. The whole concept is smoothly, seamlessly executed.

**ANDREW CLEMENTS**

The main portion of the sole jazz concert in this year's South Bank Summer Music came from Canadian-born composer/arranger/pianist Gil Evans along with 13 British musicians, all but one of whom are on his recently issued album recorded "live" at Bradford earlier this year. On Friday at the Festival Hall they gave an almost uninterrupted 100-minute programme which closely followed the LP. At the end listeners may have felt they would have been better served buying it rather than attending the concert for, as happened at the same venue in 1978 with a different set of musicians, Evans' complex music was too often blurred and distorted by the hall's unsatisfactory sound arrangements. Too often balance and separation left too much to be desired, depriving the listener of full appreciation of the music's inner nuances.

Only occasionally did the rich, interesting textures of Evans' writing, such as the blending of flutes with bass clarinet, unison passages for trombones and trumpets, and the stark telling employment of riffs, triumph. In the writing itself there were tantalising glimpses of motifs which sounded as if they could be interestingly developed and enlarged but they never were. There was a curious lack of finish to most of the pieces which often were imperceptibly linked.

Curious too, on this occasion was the allocation of solos which resulted in Don Weller, one of the most volatile tenor-sax soloists in Britain, having only one extended slot and this not adequately heard in the hall.

*With the reticent Evans on* electric and acoustic piano, plus guitarist, electric bassist, another keyboardist and drummer there was a heavy rhythmic feel to all the compositions. If drummer John Marshall is singled out for mention it is because his contribution throughout could not be faulted for its energy and dynamic appreciation. No doubt the concert will sound infinitely more satisfactory when broadcast on Capital Radio.

**KEVIN HENRIQUES**

Another of the themes running through this Summer Music has been the seven symphonies of Sibelius. Simon Rattle and the City of Birmingham Symphony Orchestra have presented the cycle in three concerts, and they closed the season (and also Mr Rattle's three-year tenure as its artistic director) on Sunday with the Fifth, Sixth and Seventh, presented in chronological order.

It was a splendid, inspiriting experience. Flying visits to Birmingham in recent years have indicated that Rattle has made remarkable strides with his orchestra and this was amply confirmed in the Festival Hall. The CBSO produced playing of a refinement and coherance that has not been bettered and only rarely approached by other British orchestras this year; the strings especially were exceptional in their smoothness and dynamic range.

Rattle's way with Sibelius is not epic; even the fifth symphony was not whipped up to extract maximum impact. It is, nevertheless, peculiarly exciting in its sureness and unerring ability to outline pertinent detail. The sixth was the most completely achieved in every respect, unfolded in measured tempi and exquisitely coloured. There were momentary flat spots in the Fifth—an unexpected slackening of tension at the horns' entry in the finale and an occasional lack of "middle" in thicker textures.

Minor imperfections only though, and completely swept aside in the uncompromising Seventh that ended the concert. The CBSO strings showed no signs of flagging at the end of a demanding evening, and Rattle's perception ensured that nothing was overlooked, and that nothing marred the work's cumulative effect.

**ANDREW CLEMENTS**

# Agon/Covent Garden

**Clement Crisp**

On Saturday afternoon, between matinee and evening performances by the New York City Ballet, the London Ballet Circle was given a lecture-demonstration about Balanchine style as seen in his dancers' daily class, which was both brilliant and brilliantly illuminating. The speaker was Joseph Duell of NYCB; his "guinea-pigs" were Shawn Stevens and Peter Boal, both lately entered into the company — Miss Stevens last season, Mr Boal this — and both having aroused great interest at their graduation performances from the School of American Ballet.

Mr Duell, a fine classic dancer and a promising choreographer (his *La Création du Monde* and *Suite No 1* were well worth watching) is still young, but old enough in school and company to have been taught by Balanchine. And, as his skilled analysis and commentary showed, blessed with the intelligence to comprehend those qualities of energy and clarity, the purposeful and alert presentation of the body, that Balanchine demanded to give theatrical life to the class-room vocabulary. The simplest steps were shown to have an implicit power and brightness, an essential shape in line and dynamics that must be honoured.

The two young artists were beautiful advocates for the speed, elegance and harmony of their school; Mr Duell admirably spoke, demonstrated, instructed, and revealed why Balanchine's classic manner has such life, such physical passion in seeking the best from the dancer's body that nearly every other national dance style looks only half-awake.

*This integrity of the* Balanchine manner was to be seen in performances at the week's end, with Friday night's *Agon* still a bright vision of the future even after a quarter of a century. With Heather Watts and Mel Tomlinson very fine in the pas de deux, and a cast vivid with the music's life, *Agon* blazed in its intense relationships with time and energy, like the balletic super-nova that it is. It also remains the most persuasive portait of the company and of the classic dance as Balanchine had shaped it within 15 years of his arrival in America, and it is astounding.

This same programme brought Balanchine's second portrait of Merrill Ashley—the first being of the young divinity who moved faster than the eye could see in *Ballo della Regina* in 1978. Made two years later, *Ballade* (using Fauré's score) takes this extraordinary virtuoso and, without diminishing her bravura, sets it in warmer and more womanly—perhaps even capricious—vein. Miss Ashley drifts, floats, the clear and pure line of her dancing threading over the stage, and catching up her cavalier (the dazzling Ib Andersen) in its web, establishing an atmosphere of emotion, lightly but piercingly stated. It is a seemingly simple ballet, but Balanchine's mastery is everywhere present—and so is Miss Ashley's.

One other performance, a self-portrait in this instance, must be mentioned: that of Kyra Nichols in *Piano Concerto No. 2* on Saturday afternoon. Miss Nichols dances her every role with an assurance, an undemonstratively well-rounded technique that combines amazing strength with lyric sweetness (Robbins' *Piano Pieces* offers a most charming portait of her). In the Chaikovsky *Piano Concerto* she produced an interpretation of pure gold, serenely brilliant when the choreography demanded it, a ballerina-vision in the lovely second movement when she appears Aurora-like to her prince (the noble Sean Lavery), a true and dazzling artist at every moment because of her lucid and unaffected command of the dance. It was an angelic performance.



# Arts Guide

August 26-Sept 1

## Music

### PARIS

**Wurzburg Cathedral Choir** conducted by Siegfried Koesler: Lassus, Schütz, Mendelssohn, Bruckner (Mon 8.30 pm) St-Louis en l'Ile church.

**Orchestre des Jeunes** conducted by Jean-Marc Cochereau: Debussy, Strauss, Moussorgsky (Mon 8.30 pm) Law Faculty Assas.

**One hour with Bartok by Alain Planes**, piano (Tue 6.30 pm) Townhall of the 5th Arrondissement.

**Orlando Quartet:** Mozart, Stravinsky, Alfred Schnittke, Brahms (Wed 6.30 pm) Theatre à Dejazet, 41 bd du Temple, Metro Republique.

**Orlando Quartet:** Haydn's Les Sept dernières paroles de Christ", Jean Negroni reciting (Thur 8.30 pm) St-Severin church.

All these concerts are taking place in the framework of the Festival Estival de Paris: tel: 271 57 00; sale of tickets Mon to Sat 11 am to 7 pm: 14, rue Francois Miron, Metro Hotel de Ville, tel: 271 5700 and Bateaux-Mouches – Port de la Conférence, Pont de l'Alma Rive Droite: Metro Alma, tel.: 225 2255.

### NEW YORK

**New York Choral Society:** Robert de Cormier conducts the New York Choral Society in a summer-season grand finale of Verdi's Requiem (Tue). CAMI Hall, 57th & 7th Av (873 6090).

## Opera and Ballet

### LONDON

**English National Opera:** Coliseum: the season opens with two ENO successes of the recent season – Anthony Besch's handsome Cavaliers-and-Roundheads production of Don Giovanni – alongside Richard Van Allan, familiar in the title role, there are some interesting new casting ideas: Norman Bailey's first London Leporello, Suzanne Murphy as Anna, Marie Slorach as Elvira, Adrian Martin as Ottavio – and the now world-famous Jonathan Miller version of Rigoletto, Verdi transmuted into a 1950s New York Mafia melodrama, with Mark Elder conducting, John Rawnsley and Arthur Davies as hunchback-bartender and "Duke", and a new Gilda in Helen Field. (836 8161).

**Royal Opera House, Covent Garden:** The New York City Ballet shows the finest classical dancing in the Western world with matinees on Wednesday and Saturday. Essential viewing. (240 1066).

### WEST GERMANY

**Berlin Deutsche Oper:** Carmen is perfectly cast with Pilar Lorengar and Jose Carreras in the main roles. Aida convinces through Julia Varady's brilliant soprano in the leading role. Lucia di Lammermoor, sung in Italian, is conducted by Carlo Franci. Faust's Verdammung benefits from Kenneth Riegel in the title role.

**Hamburg Staatsoper:** Madame Butterfly has Eugenia Moldoveanu and Ernesto Veronelli.

**Frankfurt Opera:** Madame Butterfly, with June Gard and Seppo Ruohonen. Tosca, conducted by the young american Judith Somoghi, stars Galina Savova. Manon Lescaut, with a cast headed by Nelly Miricioiu, was revived triumphantly last season. Further performances are The Magic Flute and Der Wildschütz.

**Berlin Opera:** Ballet: Eine Volkssage, a German première, choreographed by Peter Schaufuss, is danced to music by Niels Wilhelm Gade and Johan Peter Hartmann. Soloists are Eva Evdokomova and Peter Schaufuss.

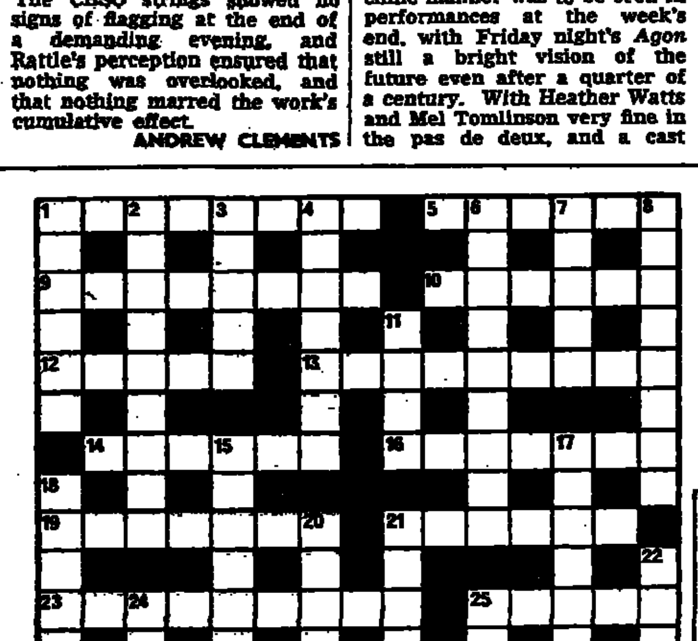
### NEW YORK

**New York City Opera:** At Press time, the musicians strike continues, cancelling scheduled performances of The Magic Flute, Tosca, Madame Butterfly, The Mikado and La Rondine, but worth checking (assuming the phone company's strike allows). New York State Theater, Lincoln Center (870 5570).

### CHICAGO

**Hubbard Street Dance Company:** A Chicago favourite combines classical training with Broadway-style choreography in an exuberant all-American mixed programme, ending this week. Ravinia Festival, Highland Park (433 8800).

## F.T. CROSSWORD PUZZLE No. 5,203



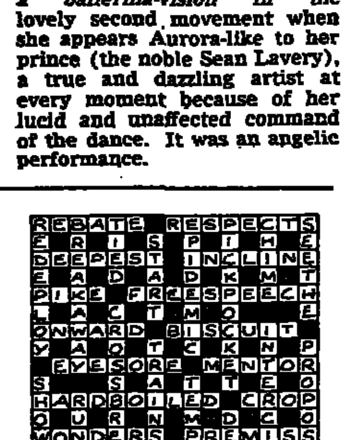
### ACROSS

1 and 5 Silver went after gold here (8, 6)
9 Note when the army order is given (4, 4)
10 Two chaps, one customer (6)
12 Calms and sends to sleep (5)
13 I'm beaten and confined (9)
14 Girl on the cricket-side is not a true member (3-3)
16 Possibly one ain't from a good school (7)
19 Miss tea when involved in painting (7)
21 Beast retiring with a broken toe (6)
23 Improving—using a reference book? (7, 2)
25 Love to have a tea break about five. Like an egg? (5)
26 I take road transport to America, he tried flying (6)
27 Aversion is stated another way (8)
28 In June the rates will be lower (6)
29 Didn't stay uninhabited (8)

### DOWN

1 Visible remains of an ancient undertaking (6)
2 Record-making start to the student year? (9)
3 Grounds for development? (5)
4 Charging for a sign on pottery (7)
6 Coach has to remain outside as required by law (9)
7 Bill free of bitterness? (5)
8 The sort of contest that goes on in the ring (4-4)
11 Seen in church when spring is over before Easter starts (4)
15 With us details can produce weariness (9)
17 Neither here nor there (2, 7)
18 One slum I refurbish—with this? (8)
20 They may be consumed from cups (4)
21 Upset? Depends how big-headed one is! (7)
22 Guard is fed up to death (6)
24 Love to have a role in pictures (2, 3)
25 Eccentric when out and about (5)

The solution to last Saturday's prize puzzle will be published with names of winners next Saturday.



Solution to puzzle No. 5,201

**FINANCIAL TIMES**
BRACKEN HOUSE, CANNON STREET, LONDON EC4P 4BY
Telegrams: Finantimo, London PS4. Telex: 8954871
Telephone: 01-248 8000

Tuesday August 30 1983

# The Brazilian cliffhanger

THE TURNROUND in the financial position of Mexico occurred at eye-opening speed. The country whose spree of spending and short-term borrowing triggered an acute problem for the world banking system a year ago is now heading for a small surplus in its current account after servicing $85bn of debt. Meanwhile Brazil, whose austerity programmes and whose apparently well-distributed profile of maturing debts were lauded last year in contrast to the Mexican excesses, is in arrears and at the centre of another critical phase for the international banks.

Is Mexico's experience an object lesson for the Jeremiahs, and a source of hope for all? Does it show that rescheduling coupled with a stiff shot of IMF medicine can produce results at surprising speed? Can Brazil follow Mexico back not to normality, for Mexico has yet to restore itself to an adequate state of economic growth, but at least to the point where it is once again a bankable proposition?

### *Shrinkage*

With hindsight it is clear that Mexico's problem was more amenable to a quick fix than that of Brazil and that the Mexican Government was more decisive in its approach to its debt crisis than its Brazilian counterpart. Mexico's imports had shot up from $7.5bn in 1978 to $24bn in 1981. Those of Brazil progressed from $15bn to $24bn over the same period and had already been pared back to essentials by severe government restraint in the two years before its latest debt showdown.

There was thus a much greater depth of froth to be blown off the top of Mexico's import bill. So far in 1983 Mexico's imports are down by no less than 60 per cent on the equivalent figure for last year, albeit at the cost of a pronounced shrinkage in the country's GNP.

Mexico's excessive dependence upon short-term debt—well over $20bn was repayable within one year—produced the perverse benefit that it was easier to achieve a substantial measure of relief with a single large rescheduling than it was for Brazil with its more extended profile of repayments due. Mexico was also slightly less reliant upon interbank deposits than Brazil for which this hidden source of vulnerability proved to be an Achilles heel.

The two Governments reacted to their debt crises in different ways. Bankers and central bankers praise the performance of the technocrats of the new Mexican administration. From its unchallenged position of political strength this Government responded to the full extent of its problem with a combination of rescheduling and economic austerity which, if anything, took too pessimistic a view of the trend of the world economy. The Brazilian Government, in contrast, was less willing to come clean about the true extent of its problem. It negotiated a poorly co-ordinated rescheduling package that unravelled from the start.

### *Stability*

These divergences between the two countries suggest that the banking turnround will be a longer haul for Brazil. Repayment of its debt does not come into question. The key to Brazil's financial stability—and to that of the international credit system—is that banks regain the confidence they need to refinance Brazil's debt and to allow a net inflow of finance into Brazil to be restored. Mexico's experience shows how the key to that banking confidence is the credible prospect of interest payment on existing debt.

Unlike Mexico, Brazil is still all too visibly unable to pay current interest except by increasing its debt. This year, Brazil's trade surplus will be around $6bn and insufficient to cover the roughly $10bn due in interest. Since loans are not flowing for the moment, pending agreement on a new IMF programme, Brazil is in arrears of perhaps $2bn. The current account is heading in the right direction, with the deficit—including interest—down from $14.5bn last year to about $7bn in this. But it looks as though Brazil will need the full three years of a new IMF programme to match Mexico's partial recovery—a period that will be greatly influenced by the development of U.S. interest rates and of world economic growth.

### *Rumours*

In the meantime the prospect is for brinksmanship between Brazil on one hand and Western Governments, banks, central banks and the IMF/World Bank on the other. Pleas for refinancing schemes will be advanced in the West. Rumours of impending moratorium will continue to rumble out of Brazil. But it will probably be through the crunchy influence of arrears that Western banks and official institutions will be forced to lend to Brazil at a rate just sufficient to carry its finances through to the point where they become self-supporting again.

# Labour's not so lunatic fringe

THE TEMPTATION to write off the Labour Party, which has been strong since it lost the General Election in a landslide, is stronger than ever at the moment. The party has gained nothing from the lacklustre start to Mrs Thatcher's second term, its potential leaders are jockeying for position within the party rather than addressing the electorate outside, and some other luminaries are talking nonsense. When the cat's away, the mice will play.

### *Neutralism*

This is altogether too complacent a view. Labour *is* still the major opposition party (especially when the Liberals fall to in-fighting), the Government's luck may not last forever, and it is still important to pay some attention to what Labour's leaders are saying in their serious moments. It may be safe enough to ignore Mr Ken Livingstone when his Irish sentiments carry his rhetoric away into lunacy, but not so safe to ignore what would once have seemed extreme statements from Mr Arthur Scargill or Mr Michael Meacher.

It is significant, for example, that Mr Neil Kinonck, Labour's putative leader, has not disowned Mr Scargill's attack on Britain and the U.S. as menaces to peace, though he has added the USSR to the list. The strong strain of neutralism in Labour's thinking has survived the election defeat — the retreat has been on anti-Europeanism, and on the commitment to massive public borrowing.

Neutralism was a vote-loser in June, when voters were still impressed by the resolute Falklands approach, and Mr Andropov was still sufficiently concerned with establishing his power base in Moscow to keep his peace offensive hesitant and muted. The mood could quickly change as his overtures become more persuasive, and as even Lord Carrington is moved to attack the British and American reluctance to negotiate seriously.

Again, it is easy to dismiss Mr Michael Meacher's proposal for a national income ceiling as a thoughtless piece of party vote-catching: but again, he is only givng extreme expression to a strong strain in Labour thinking. Labour's so-called right wing—it is rather the wing that likes to win elections from time to time—is by no means moderate in all things.

The old Crosland wing of the Labour Party—now divided between Labour and the Social Democrats—has always been strongly egalitarian, unabashedly in favour of high taxes on the rich, high social spending, opposed to the public schools, and latterly suspicious of the City.

Mr Roy Hattersley, with his attachment to minimum wage legislation and his call for direction of investment funds, is solidly in this tradition. If he does succeed in winning election as Mr Kinnock's deputy, the two are likely to find themselves in strong sympathy on a wide range of issues; that is why the hard left, which has never trusted Mr Kinnock, is trying so hard to instal Mr Meacher as deputy and guardian of Conference decisions.

### *Experience*

The hard left always has the itch to render Labour as unelectable as it was in June, but it may lack either the power, or the inclination, or both, or it may even have learned something from this year's experience.

In that case we will have a Labour Party which is uncomfortably egalitarian and neutralist, but a party which could still win an election if Conservative policies continue to produce disappointing results. The reflection in the polls of the expected slowdown in real incomes may before long remind us that Labour must still be listened to attentatively.

The EEC Budget

# Why Europe faces a financial crunch

David Tonge in London and Paul Cheeseright in Brussels explain the importance of today's talks on reshaping the Community

TODAY IN Brussels members of the European Community are embarking on negotiations which could determine the nature of the EEC over the next few years. The special council meeting of foreign and finance ministers assisted by ministers of agriculture is the first in a series which European leaders have set up to try to deal with the finance of the Community and its "further dynamic development."

The real prospect that the Community could run out of funds adds urgency to the task. The ministers have to report to the Athens summit in December.

Agriculture, which swallows up two thirds of the Community's funds remains the key issue in any agreement.

It promises to be an awkward autumn for the whole Community, and a particularly difficult one for Mrs Thatcher, the British Prime Minister. Britain finds itself risking isolation on several of the key issues to be settled, but its partners cannot act without Britain. Any increase in the resources of the community requires the unanimous approval of the Ten.

**Is this wrangling different from the quarrels of the past?**

Yes. This time the EEC really is worried about running out of funds. In July member states agreed to increase its original budget for 1983 of Ecus 22.99bn (£13.1bn) by Ecus 2.19bn. This supplement still has to be approved by the European Parliament. However, soaring costs of farm expenditure mean the Community could face a shortfall of Ecus 230m this year.

It can avoid going into the red this year by deferring some payments but the draft budget for next year foresees expenditures bumping up against the present legal limit on EEC revenues. If all goes well ministers believe the Community may have to use 99.7 per cent of available revenue next year but few expect all will go well.

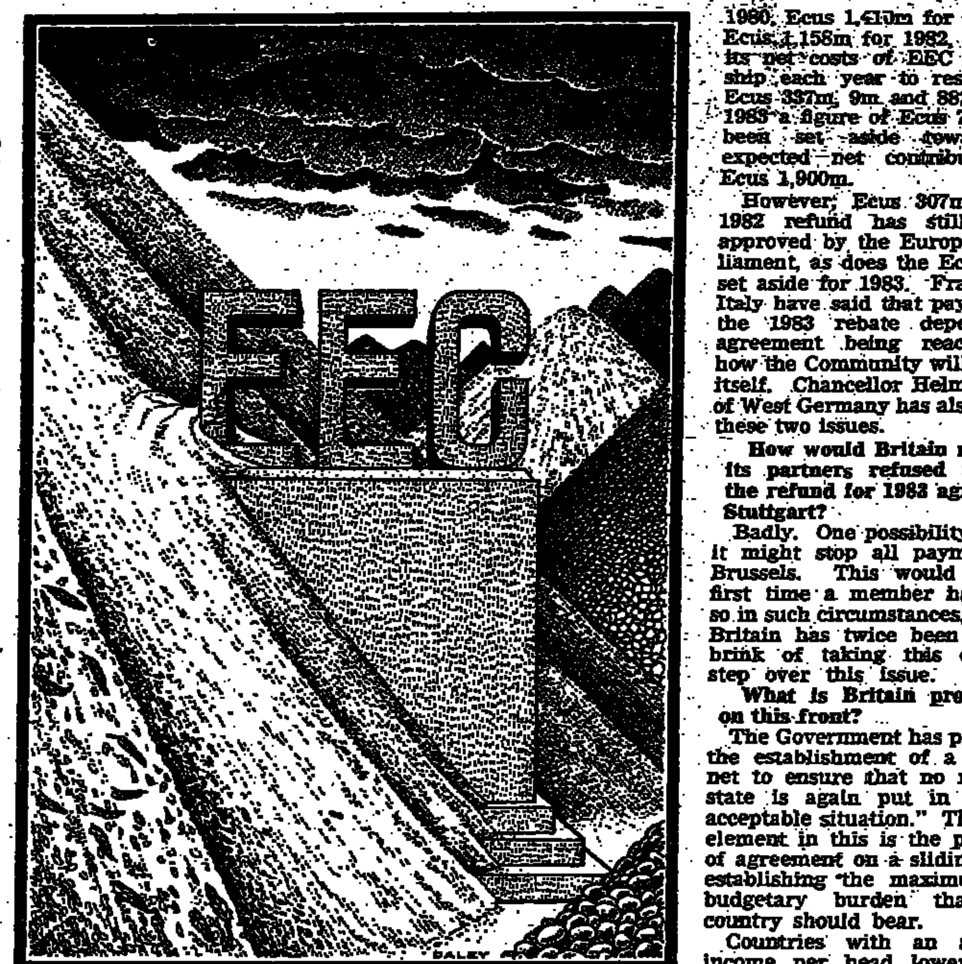
**Where is the money going to?**

Two-thirds of the 1984 budget of Ecus 24.88bn is allocated for farm spending: the dairy sector alone takes up almost one-quarter of the budget. Much of the farm spending goes to keeping up the incomes of the Community's 8m farmers and farm workers. The bulk of the rest goes to subsidising exports.

This is particularly costly since Community farmers produce more butter, milk, sugar, wine, cereals and other items than the EEC's housewives need and world prices of these have been low, requiring high export subsidies. Sugar and cereal prices have recently risen: those of butter and milk—the main items—remain depressed.

**Where does the money come from?**

Under a formula devised in 1970 the Commission receives its revenue almost entirely from charges on member states' imports and a share equivalent to up to 1 per cent of their VAT revenues. In 1983, 33 per cent of EEC revenue is due to come from tariffs and duties on the imports of manufactured goods. Another 11 per cent is to come from levies on imported agricultural products: the levy is designed to bring the cost of the import into line with EEC prices. These charges are fixed. The amount raised from VAT depends on the Commission's needs. In 1983 it is forecast to amount to 48 per cent of overall EEC revenue.



**When did the 1 per cent VAT limit become crucial?**

Only recently. In the 1970s it mattered little. In 1978, for instance, states paid in only 0.64 per cent of the VAT-assessed revenues. But next year the figure will be 0.97-0.98 per cent, according to the Commission's forecasts — and even closer to 1 per cent according to some Ministers. Both these forecasts rely on everything going according to plan. Large harvests or low world food prices are only two of the factors which could throw them out.

**What can be done?**

There are two main avenues open. One is trimming expenditure, in particular on agriculture. The other is increasing the payments which make up the Community's "own resources." This second avenue requires the approval of all national parliaments.

**How is the Commission proposing to curb the soaring cost of the Common Agricultural Policy?**

Just before the EEC dispersed for August, the Commission put forward a 47-page paper of which the key elements were:

● Reducing price supports for each product once a certain level of output is reached. If milk producers exceed a specified quota they should pay a levy. For cereals the guarantee system would remain but prices would be brought more closely into line with those of competitors.

● Eliminating consumer subsidies and premiums. It singles out butter, beef and sheepmeat, programmes which at present particularly benefit Britain.

● Increasing protection against imports. In a proposal infuriating the U.S., the Commission suggests limiting the imports of cereal substitutes for animal feed; for example, the U.S. now exports over $430m a year of maize gluten feed to the Community. The Commission also proposes a consumption tax on oils and fats to help reduce the 5m tons of net imports of oil products each year.

Further, the Commission wants to cut imports of butter and sheepmeat from New Zealand and of beef from Argentina, Australia and Austria.

● Fixing a timetable for dismantling the "monetary compensation amounts" — the system of payments used to even-out differences between Community farm prices expressed in Ecus and changing national parities following realignments in the European Monetary System.

The Commission believes these proposals could prune Ecus 2.5bn off agricultural spending in the 1984-85 marketing year and Ecus 3.2bn by 1986-87.

**How have these proposals been greeted?**

Farmers think they are too radical and involve "forced economies." Food manufacturers, consumers and politicians in many countries think they are not radical enough and are inadequate to deal with surpluses.

Countries such as Britain argue that solutions should not be sought in hitting the Community's trading partners, such as the U.S. and New Zealand, and that the proposals risk extending to Mediterranean products the mistakes made with northern products such as butter and milk.

The abolition of the butter subsidy would increase the price of butter in Britain's shops by 14.3p per pound.

**What other proposals on CAP reform are on the table?**

The British, the Dutch and the Irish have all thrown ideas on the Common Agricultural Policy into the ring.

Britain argues that the EEC should establish a "given fraction" which would represent the upper limit for the growth of expenditure on the CAP as a proportion of growth of own resources. It would like the idea to be agreed in the forthcoming round of negotiations on the future financing of the Community and embodied in Community laws.

Britain would also like agreement on annual procedures to establish, within this upper limit, the budget available each year for expenditure on agriculture.

The Dutch paper supports the idea of binding financial limits on agricultural expenditure, though it is less detailed. The Irish, major beneficiaries from the CAP, come out in defence of the existing system.

**What else is on the table in these particular negotiations?**

Governments have to reach decisions on two other Commission proposals. The first, also tabled at the end of July, is to increase the effectiveness of the Community's structural funds—the Guidance Section of the European Agricultural Guidance and Guarantee Fund, the European Social Fund, and the Regional Development Fund. These funds commit over Ecus 4bn per year to help the poorer areas of the Community "converge" with the richer. The second is the proposal for an Integrated Mediterranean Programme to help farmers in Greece, Italy and a part of France.

**Shouldn't the implications of Spanish and Portuguese accession also be considered?**

Yes, indeed the Commission argues that their accession will only be possible if the Community's own resources are increased.

**When are they expected to enter?**

The earliest date now possible is the beginning of 1986. France still has the most serious reservations—the French position is that the EEC must first settle its budgetary problems. Paris is also keen to ensure that its wine and fruit and vegetable producers will be protected.

**If there are problems in controlling expenditure, what is the Commission proposing to increase revenue?**

On May 6 the Commission proposed that the VAT ceiling be lifted to 1.4 per cent and procedures instituted for later increases if necessary. It also proposed that each country's additional VAT payments should be "modulated," that is, varied, taking account of factors such as the importance of their agricultural sector: this would reduce the increased burden on Britain and, to a lesser extent, West Germany.

**How do member states stand on this?**

Britain long opposed any increase in the resources needed to finance the Community but in June Mrs Thatcher eased her position. Britain is now making an increase conditional on a fairer distribution of the burdens of membership and on an effective *limitation* of expenditure on agriculture.

Neither of these conditions are palatable to most of Britain's EEC partners, seven of whom, led by France, want an early jump in the Commission's resources. Any reduction in Britain's contributions means an increase in their bills. Where agriculture is concerned, West Germany and the Netherlands have backed Britain on the need for reform but there are doubts in London about the Germans' current attitude.

**What has happened to the "British problem?"**

It could be a major issue this winter. So far the British Government has managed to win refunds of Ecus 1,175m for 1980, Ecus 1,410m for 1981 and Ecus 1,158m for 1982, reducing its net costs of EEC membership each year to respectively Ecus 337m, 9m and 882m. For 1983 a figure of Ecus 750m has been set aside towards its expected net contribution of Ecus 1,900m.

However, Ecus 307m of the 1982 refund has still to be approved by the European Parliament, as does the Ecus 750m set aside for 1983. France and Italy have said that payment of the 1983 rebate depends on agreement being reached on how the Community will finance itself. Chancellor Helmut Kohl of West Germany has also linked these two issues.

**How would Britain react if its partners refused to pay the refund for 1983 agreed at Stuttgart?**

Badly. One possibility is that it might stop all payments to Brussels. This would be the first time a member has done so in such circumstances, though Britain has twice been on the brink of taking this extreme step over this issue.

**What is Britain proposing on this front?**

The Government has proposed the establishment of a "safety net to ensure that no member state is again put in an unacceptable situation." The main element in this is the proposal of agreement on a sliding scale establishing the maximum net budgetary burden that any country should bear.

Countries with an average income per head lower than, say, 90 per cent of the EEC average would make no net contribution to the Community's coffers. The higher a country's prosperity is, the greater should be the share of its GDP it pays as its maximum net burden.

**What has been the reaction to these proposals?**

The idea of the safety net has intrigued the West Germans, the main paymaster of the Community, but received a dusty public answer from the French. The comment of M. Claude Cheysson, the French Foreign Minister, to Sir Geoffrey's talk of the safety net and of limiting CAP expenditure was: "Of the 10 EEC countries, Britain is the only one yet to join the Community."

However, in private the French have talked of something achieving some of the effects of the "safety net," that is an "écrètement des soldes." That would involve major beneficiaries having the funds they receive lopped back, and major contributors having their burdens eased.

**What are the chances of an overall agreement this year?**

Very limited. The Stuttgart summit agreed that matters should be wrapped up at the Athens European Council in December, but most members think the complexity of the issues mean that agreement is unlikely before the French take over the EEC presidency in January; the EEC March summit is seen as critical.

Optimists argue that all countries now know the issues so well that prospects for agreements have improved. The pessimists fear that the EEC is not running out of funds fast enough to concentrate minds this autumn.

Most seasoned Community watchers expect a rough time ahead. One EEC official, remembering Mrs Thatcher's forceful debut in 1979, comments: "The Athens summit will make the Dublin one look like a family picnic."

# Men & Matters

## Hall-mark

Tycoons hoping to cut a dash in Peking may like to know about the Chinese capital's choicest spot for business entertaining—the Great Hall of the People. Where other capital cities might give you a stuffy answer if you tried to use, say, the House of Lords for a buffet supper or the White House for a working breakfast, China is happily and profitably renting out the imposing hall for large-scale formal banquets.

Latest to use the Hall is Hong Kong conglomerate Hutchison Whampoa, cracking open a few bottles of Maotai last week to celebrate a successful corporate climb up the 25,000 foot Mount Muztagata in Xinjiang Province.

I am also told, if your interests tend towards the amorous rather than the culinary, that the Great Hall of the People is also available for weddings and similar functions. Try that in the House of Lords.

## Chair-lift

Now that the Mexican Government has announced its $206m compensation for Bancomer, the country's largest bank, which was nationalised a year ago, Manuel Espinso Yglesias, the former chairman, is hoping to get back his desk.

Don Manuel, as he is called, was the major shareholder in Bancomer. He built up the bank from scratch into an enormous financial empire with some $14bn in assets, 660 branches, including offices in the world's major financial centres, and equity stakes in numerous companies. But it was the loss of his desk and a priceless collection of pre-Colombian figurines, kept in his office where he also had piped music, which caused him the most distress. Don Manuel, 74, was sentimentally attached to the desk because he had used it all his banking life.

When Jose Lopez Portillo, Mexico's last President, took over the banks in a desperate bid to stem the country's liquidity crisis, Don Manuel was unable to retrieve the desk, as a police guard was put on the banks.

The new chairman of Bancomer, Ernesto Fernandez Hurtado, a former head of the Bank of Mexico and uncle to President Miguel de la Madrid, does not like to use the desk or Don Manuel's chair. When Fernandez Hurtado, who was privately against the nationalisation, receives visitors in his office he asks them to sit in "Don Manuel's chair" in a symbolic gesture of respect. He now hopes to return the chair and maybe the figurines.

## Weather glass

Another example of how computers are promoting labour flexibility—this time from Merseyside.

The control room at Pilkington's new float glass plant at St Helens has a visual display unit keyed into sensors measuring the outside air temperature.

When this falls below a certain level, a Christmas tree appears on the screen, together with a top-hatted snowman and electronic snowflakes. This is followed by an electronically punched-out request to process workers to take out a truck and grit the roads around the plant.

Of course, it has not been tested yet.

## Marriage lines

Spare a thought this morning for Singapore's unmarried women graduates. Having dutifully pursued their careers to help build a better Singapore, they are suddenly facing official pressure to marry and have children.

Prime Minister Lee Kuan Yew, himself a Cambridge-educated lawyer, started the campaign by voicing concern about the high proportion of women graduates who remain single.

This, along with the tendency of the less-educated to have a lot of children, he said, meant that "levels of competence will decline, our economy will falter, the administration will suffer, and society will decline."

Taking its cue, the pro-Government local press has since featured supportive articles almost daily on the nature/nurture question.

But the so-called "Great Marriage Debate" took a fresh turn over the weekend, when Dr Goh Keng Swee, Deputy Premier, and acknowledged architect of Singapore's "economic miracle" said the Government wanted to buy a Japanese software package which could match women graduates with husbands so that they could produce children able to secure better results at school.

All this has aroused plenty of controversy among the city state's 2.5m population. But Lee and his Government are plainly in earnest. The next step could be a batch of economic incentives modifying the present family planning policy, which discourages parents from having more than two children.

## Winning system

A team from Rediffusion Radio Systems, which earlier this year won the FT-sponsored UK national management game, has gone on to become the European champion.

Seven teams—out of an original field of 1,700 — competed in the finals held at the 13th century Schloss Gracht, Cologne, home of the internationally-known management training school USW.

Holland, Denmark and Sweden were eliminated in the semi-final, and the Rediffusion side — Mike Harwood, Len Porter, Don Collishaw, Ron Norwood and Hugh Woolley—contested the final round against teams from Germany, Finland, and the Irish Republic, winner of the last two championships.

The Rediffusion team's decisions generated a profit of £6.8m on the computer model, more than £1m ahead of the Irish team in second place. Harwood celebrated the team's triumph by swimming the castle moat.

## Bottom line

Selling loo seats is not quite the cosy business it might appear. Nobody knows this fact better than jovial Ron Sparrow, chairman of Blagden Industries, which makes 35 per cent of the UK's plastic loo seats.

Sparrow used to run a thriving export trade to Iran until four years ago, when the Ayatollah Khomeini came to power and ordained that all good Moslems should abandon degenerate Western habits and henceforth squat. Before long, the bottom, as it were, had fallen out of the Iranian market.

"This came as a bit of a surprise," mourns Sparrow. "You see, our seats are so strong, you could stand on them if you were that way inclined."

## That figures

The spirit of IBM, the computer and business machines giant, seems to pervade even the hotels in the tiny town of Armonk, 30 miles or so north of New York City, where it has its corporate headquarters. They serve "The IBM Breakfast" there. What's that? "Well," one recent visitor said, "it's just an ordinary Continental breakfast—but it's served *very* much earlier."

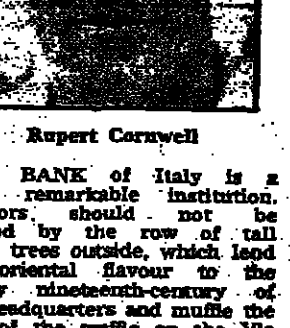
## Down to earth

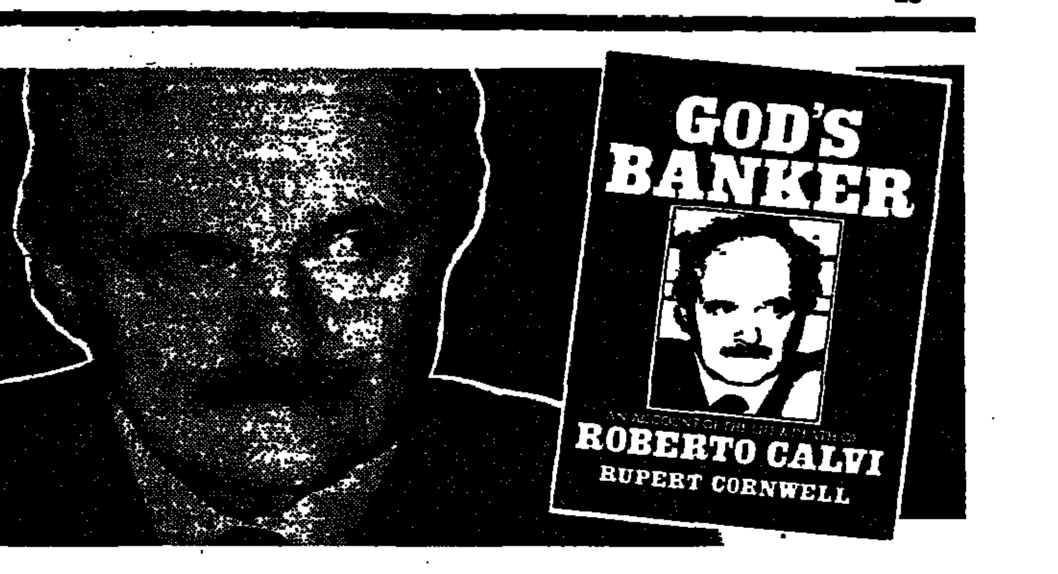
On a Welsh chapel poster announcing "The Meek Shall Inherit The Earth," someone has written: "Serve them right."

**Observer**

The extraordinary story of the collapse of Banco Ambrosiano is told in a book by **Rupert Cornwell**, the FT's Rome Correspondent, to be published this week. In the first extract he describes . . .

# The Bank of Italy v Calvi






**Rupert Cornwell**

THE BANK of Italy is a most remarkable institution. Visitors should not be misled by the row of tall palm trees outside, which lend an oriental flavour to the heavy nineteenth-century of its headquarters and muffle the din of the traffic on the Via Nazionale. The central bank is arguably the most professional and West-Europeanised part of the apparatus of the Italian State. To foreigners, indeed, it has often *seemed* the Italian State.

If the Bank of Italy is flatteringly perceived abroad, its prestige at home is no less. Its authority stems not merely from the breadth of its powers, but from its evident neutrality and independence, and aloofness from the political fray. And nowhere are the powers broader, yet more carefully to be exerted, than in the Bank's duty of superintending the domestic banking system.

In statistical terms along the task is daunting. The central bank presides over a ragtag army of no less than 1,080 individual banks. They range in size from internationally known institutions like the Banca Commerciale or Credito Italiano, controlling funds of $25,000m or more, to the tiniest *monte di pietà*, which centuries ago had started life as a pawnbroker's, and today might boast a single branch in a small town. All of them, though, have to comply with strict regulations imposed by the Bank of Italy. To ensure that they do so, the Bank's *vigilanza*, or supervisory department, will carry out up to 150 inspections annually, meaning that every bank, large or small, will have its books gone through every seven or eight years.

But from the mid-1960s on the job acquired an added political sensitivity. The banks were becoming sources of finance, above and below board, for the political parties; especially the Christian Democrats, but later, as Ambrosiano showed, for other parties as well.

The banks, moreover, would help finance the rival empires built in those years by politically sponsored industrialists. It was the era of Italy's "chemical war," in which hundreds of billions of lire were spent on large new plants, by flamboyant figures like Nino Rovelli of SIR and Raffaele Ursini of Liquichimica. All was paid for by cheap loans from the State, channelled through a compliant banking system.

As the parties' appetite for funds increased, to finance their ever more unwieldy machinery of patronage, so did political interference in Italy's entire economic system. A master of the process was Eugenio Cefis from ENI, with his *coup d'état* at Montedison; but later others like Licio Gelli and Michele Sindona easily found accommodation within it. Inevitably, the Bank of Italy's inspectors were increasingly prone to uncover secret irregularities — and increasingly pressed to turn a blind eye to them.

Paolo Baffi, who moved up from the post of general manager to succeed Guido Carli as Governor of the Bank of Italy in 1975, was not one to adjust comfortably to the desires of politicians.

Baffi has been called "a central banker's central banker," and few have won such widespread esteem. Under his guidance Italy staged an astonishing economic recovery between 1976 and 1979. His skilful handling of the lire's entry into the European Monetary System in 1979 was universally praised. Baffi, in short, was everyone's idea of a central bank governor. Except, that is, for the politicians for whom he had little time.

Under him, and in charge of the supervisory *department*, was Mario Sarcinelli. His career, too, had been exceptional. Sarcinelli had joined the central bank in 1957 at the age of 28, with a special scholarship. He served in the research department, the traditional nursery for potential high-flyers. By the time he was 38, he had been promoted to the rank of *direttore centrale*, with responsibilities on the supervisory side. In this post, too, Sarcinelli performed outstandingly, and in 1976 was appointed one of the Bank's three deputy general managers, and a member of the five-man "directory" at its summit, along with the general manager and the Governor. Few doubted that Sarcinelli would one day be Governor himself.

Italy by 1978 was on the way back to economic health, at least by its own standards. An important contributory factor was the tight credit policy enforced by the Bank and Baffi's lack of sympathy for the industrialists who, with the aid of the political patrons, had prospered on the State's largesse.

Requests for funds, so readily available in the past, were coldly met and chief among the victims of the stern nouveau régime was the chemical industry, bloated by the illusion of cheap, pre-Yom Kippur oil and the complaisance of the politicians. SIR and Liquichimica collapsed, and even the formidable Cefis was forced to leave Montedison.

> **'The "Bank of Italy Affair" had begun. No episode before or since has illustrated more clearly the sinister side of public life in Italy.**

This rigour earned the 67-year-old Baffi enemies; and he and Sarcinelli were to make more for the unforgiving way in which Bank of Italy inspectors were despatched into financial institutions most entangled with the politicians. No one any longer was exempt. The inspectors went through the books of the banks of Pesenti, exposing the dubious means by which he had extricated himself from Sindona's group. In 1978 it was the turn of Banco Ambrosiano and its secretive chairman, Roberto Calvi.

Sarcinelli knew full well that Calvi's bank, with its entrenched secrecy and cobweb of interests inside and outside Italy, would be an especially awkward assignment. No less than twelve inspectors (almost a quarter of the total) were sent to Milan, compared with just two who had drawn up the previous report on Ambrosiano in 1973.

At moments during the six months investigation, it seemed that even a twelve-man task force was not enough. As the group got to grips with Calvi's labyrinthine share dealings, Sarcinelli discussed with Giulio Padalino, the chief inspector up in Milan, the idea of sending reinforcements from other divisions of the central bank. In the event, much requested information on Calvi's foreign subsidiaries was simply not forthcoming. Calvi claimed that to have done so would have been to breach the banking regulations of other countries. The argument was hardly convincing. Calvi was after all chairman of both the Milan parent and of the two subsidiaries which aroused most suspicion, Banco Ambrosiano Holding in Luxembourg and Cisalpine Overseas in Nassau, but there was nothing at the time to be done. In the teeth of such obstacles it was not until November 17 1978, seven months later, that the job was complete.

The language of the Bank of Italy's report on Banco Ambrosiano was dull and bureaucratic, and its length, including 26 appendices, ran to over 500 pages. What was exceptional was the quality of its financial detective work—and the conclusions it reached.

The report identified every basic ingredient of the future disaster, as well as providing the groundwork for the charges on which Calvi was to be convicted in July of 1981.

The overall verdict on Ambrosiano was "Not at all satisfactory." The report then explained why. Ambrosiano had expanded with extraordinary speed in the last few years. True, results were there to show for it, but they had been achieved thanks to frequent infringement of the supervisory department's regulations. The bank had constructed a foreign network which allowed it to move large sums around, free of scrutiny by the Italian currency authorities. Any technical judgment on the soundness of Ambrosiano was impossible without greater detail of the operations in Luxembourg and Nassau, the nature of whose assets remained a mystery. These assets in turn were so substantial that any discrepancy might make a large difference.

Given a central bank's taste for caution and understatement, it was a harsh assessment. Even more damning was the recommendation of the inspectors: "There is a clear need to cut back the network of subsidiaries which Ambrosiano has created abroad. They must also be forced to provide more information and figures about their real assets, *to avoid the risk that a possible liquidity crisis on their part might also affect the Italian banks, with all the unfavourable consequences that might entail.*" The circumstances of the collapse four years later could hardly have been set out more clearly.

The report then went on to point a heavy finger at the mechanism of the fraud Calvi was elaborating. It identified the crucial chain of command, from Milan, through the Banca del Gottardo in Lugano, to the key—Cisalpine Overseas in Nassau. Now Cisalpine had borrowed more than $200m from Banco Ambrosiano in Milan. On the other side of its balance sheet were $183m of assets described only as unspecified "financings" but where had they gone? The inspectors recorded other clues. On the board of the Nassau bank sat not only Calvi but Archbishop Paul Marcinkus, chairman of the IOR, which Carlo Olgiati, Ambrosiano's general manager, *had told them* was the owner of Suprafin. Now Suprafin had been the mysterious buyer of 15 per cent of Banco Ambrosiano's shares between 1974 and 1977. These shares had in turn been despatched to that clutch of Liechtenstein and Panamanian companies, with names like Cascadilla and Orfeo.

What the inspectors could not *prove* was that these fanciful creatures were the property of either Ambrosiano or of the IOR, but they certainly had their suspicions. The growth of the mysterious assets in Nassau "might not be unconnected with the massive purchases of Ambrosiano shares"—in other words, that Banco Ambrosiano had lent money to Cisalpine to buy, in effect, control of itself. At another point, the report remarks that "it cannot be excluded" that the Liechtenstein and Panamanian companies were part of the Ambrosiano group. As for the IOR, the Vatican bank said it had only 1.37 per cent of Banco Ambrosiano. But again, it "could not be excluded" that it owned more, in the person of the Panamanian companies which had bought such large blocks of Banco Ambrosiano, with the express blessing of Cisalpine, and on Cisalpine's board, of course, sat Archbishop Marcinkus of the IOR.

But there was more. The inspectors judged Ambrosiano to be under-capitalised. They found breaches of the banking law, and severe organisational shortcomings — principally that Calvi was running Ambrosiano as he pleased. Board meetings did take place once a month, as prescribed by Ambrosiano's statute; but mainly to endorse decisions which Calvi had taken, and often implemented, beforehand.

They must have been remarkable occasions, rather like a priest celebrating mass. Calvi would deliver a brief sermon, to which the other directors would reply with a respectful Amen. A 20-minute monologue by the chairman would typically be followed by a rapid runthrough of the major credits extended by the bank in the previous month. Calvi routinely would enquire if there were any questions. Invariably there were none, and proceedings were over. The report condemned the board for its "supine acquiescence," while Ambrosiano's official auditors were described as "superficial and unquestioning."

The central bank's conclusion was that Ambrosiano's internal organisation was in some respects "patently inadequate" for a bank of its size and ambition. The inspectors suggested that "a first step" might be to withdraw authorisations so far granted, and thus force a restructuring of Calvi's bank, "so that the real destination of every single financial transaction abroad can be followed." The restructuring, of course, never took place.

On Saturday March 24, 1979, calamity overtook the Bank of Italy. In the middle of the morning officers of the Guardia di Finanza, the country's financial and customs police, entered the central bank to arrest Sarcinelli. The deputy general manager of the Bank of Italy was taken to the Regina Coeli (Queen of Heaven) prison on the bank of the Tiber in central Rome, charged with deliberately concealing evidence from Rome magistrates investigating the collapse of the now bankrupt SIR of Nino Rovelli. A similar charge was brought against the Governor himself.

The "Bank of Italy Affair" had begun and no episode before or since has illustrated more clearly the sinister side of public life in Italy, the contrast between the platitudes dispensed by the politicians in public, and the private, historical reality of fiercely competing interest groups and factions.

Just who was behind the attack on the Bank of Italy no one to this day can say with certainty. The "smoking gun" in Italy is rarely found: despite Gelli's mania for files, photocopies and tape recordings, pressures and connivances are often undocumented, even unspoken. But the circumstantial evidence is overwhelming, that an attack it was—or rather a counter-attack, carefully framed to teach the central bank a lesson it would not forget.

Probably the investigation of Ambrosiano was not the only reason. Rather, the inspection of Calvi's bank in 1978 was but the latest of series of challenges to the complicities and financial conveniences of the system, which could not go unanswered. Objectively the campaign of Baffi and Sarcinelli to throw light on the dark corners of Italian banking could not be faulted. Realistically, however, to have tried to do so without adequate political "cover" beforehand was perhaps naive and inviting reprisal. Not just its timing, but the sheer disproportion between the imprisonment order and the dubious, highly technical nature of the supposed offence suggested that Sarcinelli was being deliberately punished.

Sarcinelli was to leave prison a fortnight later, hurt and confused, but already suspicious of the origin of the attack. In Milan the word was going around that Calvi in some way was connected with the attack on the central bank; while Sindona from New York was soon boasting that he had secured his revenge on the institution responsible for his persecution and downfall. Even after his release, the magistrates remained opposed to Sarcinelli's reinstatement.

With Sarcinelli's removal, the *vigilanza* lost many of its teeth and some of its nerve. In June he was allowed to resume his post at the Bank of Italy, but had been moved by then to the harmless—as far as the politicians were concerned—international monetary side. Only in January 1980 was the slate rubbed clean, when the charges against both Baffi and himself were dismissed for the trumped-up nonsense they were. But by then the desired effect had long been achieved—and a new Governor had taken over from Baffi.



*Extract taken from "God's Banker"—an account of the Life and Death of Roberto Calvi by Rupert Cornwell, to be published by Victor Gollancz on September 1, price £8.95.*

**A second extract will be published in Thursday's FT.**

# Letters to the Editor

## Japanese way with companies

*From the PA Consulting Group*

Sir,—The article (August 22) by Christopher Lorenz on Dr Trevor's new book about Japanese companies' management difficulties in Europe makes fascinating reading.

Fascinating for two reasons. The first is that anyone who has worked in Japan knows that European multinationals working there are criticised for exactly the same faults. There is probably little to choose between Japanese and European companies when operating in each other's countries—although it might be argued that European multinationals, with their greater experience of overseas operations, should be better than their Japanese counterparts when it comes to integrating national staff.

The second reason is much more serious. The article confirms a disconcerting and counter-productive trend. Dr Trevor's book, apparently, suggests that political pressure might be brought to bear on Japanese companies in Europe and force them to give more authority to local managers.

This is yet another illustration of the increasingly prevalent view that politicians, and bureaucrats, with their threats of dire economic consequences if Japan doesn't toe the line, are the only people who can contain the Japanese industrial advance. Public pronouncements by politicians have had predictable consequences. Sections of European industry have become complacent and hardly accept any more that their own industrial initiative is the only way to contain the Japanese.

How much better, surely, if the politicians stressed that there is a limit to what they can do and that industry in Europe has to rise to the challenge.

A good way to start might be through a determined exploitation of the Japanese market itself—opened up as a result of political pressure but still under-exploited by European companies. One reason is that the politicians still persist in telling everyone that the market is closed. It isn't, as recent studies by both European and U.S. companies clearly prove.

Mark Smalley,
Overseas Director,
Japan Operations,
*London, SW7.*

## Council house sales to tenants

*From the Director of Finance, Copeland Borough Council*

Sir, — Your correspondent Miss B. North (August 23) is, perhaps, more correct than she realises in stating that "selling houses to tenants is a huge and complicated subject."

She advises Mr Cole to do a little more research in which case he will find the benefits to the ratepayer of selling as many council houses as possible. In fact, anyone doing such research will discover that in many places the ratepayer will not benefit one iota. There are many councils where the council housing service is completely self-financing, with no subsidy from the ratepayer or taxpayer, and has been so for years. According to the CIPFA "finance and general statistics 1983/84" no less than 65 Councils are this year using surpluses on their housing services to subsidise their ratepayers. In some cases this is undoubtedly due to council house sales, but not in all.

This exemplifies the wide disparity between the circumstances of different areas, which applies not only in the field of council housing but over a wide range of services. Is it any wonder, therefore, that local government is opposing the efforts of the central government to increase its control and impose greater uniformity of financial treatment over local authorities?

The sale of council houses is not a subject on which sweeping generalisations can be made. Each council has different circumstances, and what applies to one will not apply to all.

R. C. Wright,
*Council Offices,*
*Catherine Street,*
*Whitehaven, Cumbria.*

## Strength in numbers

*From Mr Kevin d'Arcy*

Sir,—Isabel Alverez of Abbey Court (August 23) and any others who are suffering unduly from excessive increases in service charges, as flat leaseholders, take cheer.

Here, at Dunstan House, we suffered as badly with a five-fold increase in services charges in about as many years.

The charge for management services then was much more than was spent on the block. True, our landlords were slow to help at first. But we found that these agents, on behalf of these landlords, had been doing the same all over London. So we formed a residents' association and simply went on strike.

We paid our ground rents, to prevent eviction, then offered to pay the same service charge as before, plus 10 per cent for inflation. Finally, the landlords helped us out by appointing a fresh new firm of agents, who have promised to keep their management charge at a ratio of monies spent on the block, at the moment 15 per cent. The lesson: strength in numbers.

Kevin d'Arcy.
*9 Dunstan House,*
*Stepney Green,*
*London, E1.*

## World-wide black economy

*From Mr N. Ridley*

Sir,—In your leading article (August 20) you express consternation that the total recorded imports of the world seem likely this year to exceed its total recorded exports by the sum of $100bn: ie something like 6 per cent of total world trade has vanished down some statistical black hole.

Times may have altered, but when I was a lad this country recorded its imports for statistical purposes on a CIF basis, and exports on an FOB basis; a system calculated to show the balance of trade in the most unfavourable light possible. As you say later in your article, when official statistics are revised they usually look a good deal better—probably because like has been compared with like.

If we still adopt the same system, and other countries do likewise, probably a good part of the 6 per cent discrepancy can be attributed to this reason, and things are not quite so bad as they appear to be at first.

N. Ridley.
*Appledore, Sunnyside Close,*
*Lancaster.*

## M1, an erratic statistic

*From Mr A. M. Sultan*

Sir,—As an importer—yes, I dare to admit it—I have to monitor the currency markets closely, especially the U.S. dollar.

It is apparent to me that the continued weakening of the dollar against the European currencies results from two factors:—

Firstly, a simple band-wagon effect, perpetuated by those that know no better, and secondly, and far more importantly, due to the myopia and naivity of certain gentlemen, either in the Fed, or in other spheres of U.S. political life, who are basing a country's entire monetary policies ("country" being synonymous with "the world" in the case of the U.S.) on an erratic statistic, namely M1.

This would not be such a major crime, if its shortcomings were appreciated. (This must be considered in addition to the problem of actually physically compiling such a statistic for the U.S.'s financial leviathan).

Yes, M1 is a good statistic ("statistic" being the key word), when one stands back and watches the trend over a period of time—but to base one's policies on the inaccuracies of one week's figures is ludicrous.

What will happen a few weeks hence, when some other factor comes to light, previously ignored in the published figures?

Will we then suddenly realise that we've been acting unwittingly contrary to our own interests? You can't throw the dirty bathwater out of the window and catch it the following day.

The problem of which "M" to watch has been well documented by many eminent economists, representing the whole spectrum of economic persuasions. They may not agree on which "M" (or "M") to elect as their guardian angel, but I doubt that any one of them would condone any decisions based on statistics compiled on the shortest of time scales.

Surely it is about time that people realised the sheer stupidity of making decisions based on such a weekly published aggregate as M1.

A. M. Sultan,
*6 Daylesford Road,*
*Cheadle, Cheshire.*

FINANCIAL TIMES
Tuesday August 30 1983



SENIOR MINISTERS MEET TO DECIDE FINANCE POLICY

# EEC crisis talks on bankruptcy

BY JOHN WYLES IN BRUSSELS

AN UNPRECEDENTED August gathering of 30 senior EEC Ministers will open a period of intensive negotiations in Brussels today designed to save the Community from bankruptcy and from further endless battles over how it should be financed.

Meeting on the instructions of the Stuttgart summit of heads of government in June, the foreign, finance and agriculture ministers from the 10 member states have very different appetites for the task which lies ahead.

Delegations are predictably divided on some of the key issues – especially how to curb the spending on the Common Agricultural Policy (CAP) – but there are also differences between ministers in the same governments on how some of the key problems should be tackled.

As a result today's exercise will be more a "necessary warming-up exercise" – as one senior EEC official put it yesterday – than a serious negotiation.

The formal burden imposed by Stuttgart is to prepare a package of draft agreements for completion at the next summit in Athens in December.

Dr Gerhard Stoltenberg

These are supposed to provide stronger controls on farm spending, permanent limits on Britain's budget payments to Brussels, a raising of the ceiling on the Community's budget revenues and the tailoring of policies better suited to an EEC membership to be enlarged to include Spain and Portugal.

Today's meeting will focus almost entirely on the European Commission's proposals for sapping the CAP's appetite for funds. Current farm spending is more than 30 per cent above last year's level, and has taken the Community to within around £27m ($40.7m) of spending all its available cash this year.

The hope is that the presence of finance ministers at the special Council will encourage a more realistic approach among agriculture ministers towards reforming the CAP. But while they are steadily exerting a more cautious approach to EEC spending, there are signs that finance ministers are not having it all their own way in national capitals.

In West Germany, Herr Gerhard Stoltenberg, who is hotly in favour of strong curbs on the Common Agricultural Policy, has been losing ground to his agricultural colleague, Herr Ignatius Kiechle. Thus the West German line today will oppose any reforms which would lead to cuts in the nominal prices paid to German farmers.

This bodes ill for the Commission's proposal to eliminate monetary compensatory amounts – payments which bridge the gap between common EEC prices and prices in national currencies. It also strikes against any attempt to use a highly restrictive price policy to peg back spending on the dairy sector

The British bid to have an EEC regulation decreeing that the rise in farm spending should be less each year than the rise in EEC budget revenues is also running into heavy seas. More generally, only the UK and the Netherlands seem prepared to mount a radical attack on the CAP's current operations.

France is prepared to see stronger controls on northern European production – as the Commission has proposed – while leaving Mediterranean producers largely untouched. Other countries, such as Belgium and Denmark say the new burdens to be put on farmers should be spread equally between north and south.

But a consensus may soon be forming against the UK and the Netherlands in favour of putting curbs on imports of cereal substitutes and of taxing vegetable oils so as to reduce imports of soya bean.

Why the crunch is coming, Page 12

# Coalition presses Begin to stay

By Patrick Cockburn in Jerusalem

SUPPORTERS of Mr Menahem Begin, the Israeli Prime Minister, were pessimistic last night that they would succeed in persuading him to stay at his post. At a Cabinet meeting on Sunday, Mr Begin, who has led the Israeli Government since 1977, said he planned to resign.

After a meeting with leaders of parties who are members of his governing coalition, Mr Begin agreed yesterday to delay his resignation until this morning.

Ministers in his Government said they had only a slender hope that he would reverse his decision. A Government spokesman said the Prime Minister had not announced his departure as a tactical manoeuvre to strengthen his hand in the ruling coalition, which has shown increasing divisions in recent months.

Mr Begin's failing health, depression as a result of the death of his wife last winter, and frustration at disunity in the Cabinet are cited as the most important reasons leading to his decision. The failure of the war in Lebanon to achieve the aims originally hoped for, and Israel's parlous economic state, are also mentioned as motives for Mr Begin's surprise decision.

The pivotal role he plays in Israeli politics was rapidly confirmed by the strength of the reaction to his announcement in the Government and in Israel as a whole. Since the enforced departure of Mr Ariel Sharon as Defence Minister earlier this year, after criticism of his actions during the Chatilla massacre in Lebanon, there has been no authoritative figure in the Administration apart from the Prime Minister himself.

Members of the coalition are very much aware that the Government's support, though in decline this year, is largely dependent on Mr Begin. If his resignation is confirmed then his most likely successor will be either Mr David Levy, the Deputy Premier and Housing Minister, or Mr Yitzhak Shamir, the Foreign Minister.

A government of national unity is conceivable, but it is expected that Mr Begin's coalition will seek to stay in power while a new party leader establishes himself. The coalition has 64 seats in the Israeli parliament compared to 56 for the Labour Alignment.

In the past month, the Government has been trying to agree a wide range of budget cuts, including defence and tax increases, to prevent further deterioration in the economic situation.

Background, Page 2

## THE LEX COLUMN

# Meter failure at British Gas

If British Gas really is a candidate for privatisation, its powers and operations will need a radical overhaul. Unfortunately last week's efficiency study of the corporation by Deloitte, Haskins and Sells seems almost wilfully to have directed its attentions to the wrong targets. As a monopoly, British Gas is the state agent for collecting the economic rent on most North Sea gas. Ideally it should pass on that economic rent to the Exchequer and derive its profits from the efficiency with which it distributes its product. But successive governments have failed to establish a clear distinction. The gas levy is arrived at through negotiations in which governments have been at a profound disadvantage since they have not been able to measure British Gas's efficiency.

Its success in the negotiations is underlined by Deloitte's finding that the corporation has consistently met the financial objectives set for it. There is certainly no denying the group's profitability, even though it employs every conceivable device to depress the figures. Current cost profits in the year to March 1983 were £663.1m, but that excludes the Corporation's very own 100 per cent capital allowances in the shape of "replacement expenditure" of £263.5m on assets. The more traditional current cost adjustments come to £371.3m, so on a conventional historic cost basis, profits last year were probably in excess of £1.2bn after a £523.5m gas levy.

The corporation does not provide anything as old fashioned as a historic cost balance sheet, so it is not possible to derive a return on capital figure on this measure. But its own estimated current cost return, at 5.7 per cent, comfortably exceeds the Government target of 3.5 per cent. For a state monopoly, the risk premium over index-linked gilt-edged – now offering a real return of about 3 per cent – seems somewhat excessive.

While it is possible to guesstimate the extent to which profits have been squeezed by advanced accounting practices, an outsider can make no headway in assessing how much the return has been reduced – if at all – by excessive layers of bureaucracy and other inefficiencies. On this topic, the Deloitte report is particularly disappointing because it has measured British Gas's efficiency against internal yardsticks. It finds that if all the regions were brought up to the standard of the most efficient, savings of £100m a year could be made. Since this assessment, the Corporation has already found savings of £76m in real terms.

But that achievement tells outsiders very little. If BP two years ago had tackled its refinery operation with a view to bringing the worst up to the standards of its best, no doubt it would now still have the most inefficient downstream business of the majors. Internal comparison is all the more invalid because of the degree of cross-subsidisation between the regions.

After this limp attempt to measure efficiency, the Deloitte study goes on to recommend that British Gas raises its revenues a further £500m by increasing selling prices to the level of its most recently contracted source of gas. In a competitive environment, a business that tried to raise its prices to produce a "normal" marginal over its highest marginal cost would rapidly find itself undercut by rivals. In essence, Deloitte is asking British Gas to treat its most recent contract as a kind of marker price, and treat the margin between this and all cheaper supplies as a measure of economic rent.

So the Deloitte high price strategy is feasible only for a monopoly, and one that is pretty impervious to public sentiment at [illegible]. The importance which Deloitte places on the most recent contracts seems to be based more on inflationary psychology than anything else, since if future contracts were expected to be cheaper on occasion, as well as dearer, the absurd outcome could be gas tariffs shooting up and down on an erratic basis.

To give British Gas credit, it strongly disagrees with Deloitte's pricing proposals. Yet it has come no closer to a coherent pricing strategy itself; its policy of keeping prices as low as possible (at least for private consumers) simply begs the question, especially when energy pricing enters the political arena at regular intervals. But the price question must be settled before British Gas can pursue profit maximisation as a legitimate goal. The negotiable gas levy looks particularly dubious in this light.

Even if the returns from access to cheap gas could be switched from the corporation to the state, it would still be necessary to ensure that there was some incentive for efficiency in a privatised British Gas. The two pressures on British Telecom are to be competition from Mercury and reduction in real prices. The latter looks out of the question for British Gas, since the price of its raw material would not be under its control. At the same time competition would be a great deal more complicated to introduce even than in the telecommunications field. The best that could be done, perhaps, would be to break up the corporation into regional franchises under a regulatory framework.

Even without its formidable chairman, British Gas looks an awkward customer for privatisation. But whether it is to be privatised or not, the Deloitte study has failed to provide managers with a blueprint with which to increase the corporation's efficiency.

# Oil companies to ask UK for extension of tax concessions

BY RAY DAFTER, ENERGY EDITOR, IN LONDON

INTERNATIONAL oil companies are about to press the British Government for a change in North Sea tax rules which treat new fields in the north more leniently than those in the south.

The companies are to appeal for the tax incentives introduced in the March budget in order to speed the development of northerly oilfields to be extended to cover oil and gas discoveries in the southern basin of the North Sea.

The campaign is being spearheaded by the UK Offshore Operators Association, which represents the leading North Sea licensees but during the next few months a number of individual companies will be submitting data to the Energy Department to support the industry's case.

Shell UK said: "There are obvious anomalies here which need to be resolved to achieve a uniformity of tax systems. This is needed in the interest of long-term development in the North Sea. We will be providing the Department of Energy with the information it needs about our possible future fields in order to help it make up its mind."

As a result of budget changes, northerly oilfields exploited after April 1 last year have been made exempt from royalty payments. Royalties on fields currently on stream are paid on the basis of 12.5 per cent of the gross value of production. In addition the Government increased allowances which could be used to offset petroleum revenue tax.

The move was designed to encourage the offshore industry to speed up the development of new oilfields, found mostly in the central and northern areas of the North Sea. The Government left open the question of new tax concessions for fields discovered in more southerly areas, between latitudes 52 and 55 degrees.

So far the industry has discovered only natural gas in commercial quantities in this southern area.

Companies were told, however, that the Government would be willing to discuss with industry whether there was a need to extend tax reliefs to the southern basin. If a case was made out the benefits would be backdated to March this year.

The campaign for a further revision of the tax system is likely to be a low-key affair. Operators have been reminded by ministers and civil servants that the March tax reliefs were probably more extensive than the industry had seriously expected.

The package of measures announced in the budget is providing the industry with tax reliefs totalling more than £800m ($1.2bn) in the four years 1983-87. Real cash flow benefits are likely to total over £115m in the 1983-84 financial year.

Tax issues are also complicated by the nature of fields in the southern sector. Unlike oil prices, which are set by the international market, gas prices are negotiated between producers and British Gas Corporation. As a result gas prices take account of the operating tax regime.

Furthermore Southern Basin fields lie in much shallower water than those in the north, consequently their development costs are usually much lower.

The Offshore Operators Association says that while the UK continues to import substantial quantities of natural gas from Norway, fiscal measures should be adopted to encourage the development of indigenous resources.

The operators group adds that as it is quite possible oil will be discovered in the southern basin, the Government should adopt a uniform taxation system to cover the whole of the UK Continental Shelf.

● Nine new oilfields are likely to be developed in the UK sector of the North Sea following the recent relaxation of the offshore tax system, Mr Alan Gregory, president of the Institute of Petroleum, told oil specialists in London yesterday.

The developments would provide a further 1bn-1.5bn barrels of oil production – the equivalent of two to three years oil consumption in the UK. Before the tax changes announced in the March budget, nearly 2bn barrels of discovered oil was lying unexploited because the economic and technical challenges were too severe.

Mr Gregory, chairman of BP Oil, was addressing the World Petroleum Congress in London. The event, the industry's leading conference, has attracted some 2,500 delegates including specialists and ministers from China and the Soviet Union.


Despite the importance of North Sea oil to the UK economy, Britain was a marginal influence in terms of worldwide reserves and production Mr Gregory said. It contributed only 4 per cent to total world production and its net export accounted for a mere 2.5 per cent of the total oil traded in the world's oil markets.

At a press conference later, Mr Gregory said that the UK offshore oil industry was set to make a major contribution to the technology and equipment used by companies worldwide. The UK industry was in the forefront of technology especially for underwater production systems, platform equipment and communications.

# Briton 'to get key OECD economics post'

BY DAVID MARSH IN PARIS AND MAX WILKINSON IN LONDON

A BRITISH professor is expected to take over the internationally sensitive job of head of economics and statistics at the Organisation for Economic Co-operation and Development (OECD) in Paris.

He is Professor David Henderson of University College, London. His appointment will follow months of discussion among finance ministers and officials about the kind of economist needed for this post.

An OECD spokesman confirmed at the weekend that Prof Henderson was "almost certain" to get the job, although it is said there are still "some matters to be resolved" before a formal announcement can be made.

The OECD is the major centre for economic analysis and policy coordination for the industrial countries. Although the organisation takes a carefully balanced position in public, some of its economists have in the past been fiercely critical of the weight given to monetary policies in some countries, particularly the U.S. and the UK.

Prof Henderson, 56, a former director of the World Bank's economics department, and a specialist adviser to the Welsh Secretary under Mr James Callaghan's Labour Government in the late 1970s, has a reputation for taking a fairly middle-ground position in current economic controversies.

He has been associated with the Clare group of economists, which has argued for a somewhat more expansionary line in the UK. However, his ideas on monetary policy appear to be broadly acceptable within the UK Treasury.

His appointment would bring to an end months of speculation which started when it was announced that Mrs Sylvia Ostry, the retiring economic director, was to return to the Canadian Government service, from which she was released on secondment.

Mrs Ostry is said to have succeeded in keeping the intellectual independence of the economics department intact during a period in which the OECD's traditional expansionist ideas have been sharply questioned.

She has, however, admitted to being somewhat abashed at the OECD's failure during the last few years – in common with many other forecasters – to predict the depth and duration of the world recession.

The choice of her successor is thought to have been considered at the highest levels in member governments, and Mrs Margaret Thatcher, the British Prime Minister, is believed to have had a say.

The choice of Prof Henderson rather than a more doctrinaire academic more closely associated with U.S. and British economic policies has come as a relief to the OECD secretariat.

Mrs Ostry's job is the first to be filled in a triad of key posts now falling vacant. Mr Stephen Marris, economic advisor to Mr Emile van Lennep, the secretary general, is leaving next month after nearly 30 years at the OECD, to join an independent Washington economic institute. He is unlikely to be replaced for the moment.

Mr van Lennep himself, now 68, who has held the job for 14 years, is due to step down in September next year. Both the U.S. and UK governments have a keen interest in making sure that his successor is someone who is likely to be sympathetic to their general economic ideas. Among those rumoured to have been discussed for the post are Herr Manfred Lahnstein, Herr Horst Schulmann, both formerly at the Bonn Finance Ministry, and Mr Christopher McMahon, deputy governor of the Bank of England.

# Missile makers square up for UK navy deal

Continued from Page 1

There are suggestions that the Navy would prefer either Exocet or Harpoon. The Oto Melara and Matra missiles, according to some observers, are likely to be the outsiders in the contest.

Somewhat ironically, the Government has also recently called in tenders for another potentially very large contract for what is known as close-in weapons systems (CIWS) for Royal Navy frigates, destroyers and other ships. These are effectively guns – of very high speed and highly automated – which are designed to shoot down sea-skimming missiles in the last stages of their flight.

The Ministry of Defence is believed to be considering competitive systems from Vickers Shipbuilding and Engineering and British Manufacture and Research Co (BMARC) as well as systems made by General Dynamics and by General Electric of the U.S.

Decisions on both the sea-skimming missiles and the CIWS are due to be taken in the autumn, the Ministry of Defence says.

## World Weather

| | | °C | °F | | | °C | °F | | | °C | °F | | | °C | °F |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Ajaccio | F | 27 | 81 | Dubrovnik | S | 27 | 81 | Malaga | F | 26 | 79 | Salzburg | R | 21 | 70 |
| Akrotiri | S | 30 | 86 | Faro | S | 29 | 84 | Malta | F | 26 | 79 | Seoul | — | — | — |
| Algiers | S | 29 | 84 | Florence | F | 30 | 86 | Manila | — | — | — | Singapore | — | — | — |
| Amsterdam | F | 18 | 64 | Frankfurt | S | 23 | 73 | Miami | S | 26 | 79 | Stockholm | S | 20 | 68 |
| Athens | S | 28 | 82 | Funchal | C | 24 | 75 | Milan | F | 22 | 72 | Strasbourg | S | 22 | 72 |
| Bahrain | — | — | — | Geneva | C | 21 | 70 | Moscow | C | 14 | 57 | Sydney | — | — | — |
| Bangkok | — | — | — | Gibraltar | S | 23 | 73 | Munich | R | 20 | 68 | Taipei | — | — | — |
| Barcelona | F | 25 | 77 | Guernsey | S | 18 | 64 | Nairobi | — | — | — | Tangier | F | 28 | 82 |
| Beirut | — | — | — | Helsinki | S | 16 | 61 | Naples | F | 31 | 88 | Tehran | — | — | — |
| Belgrade | S | 31 | 88 | H. Kong | — | — | — | New Delhi | — | — | — | Tel Aviv | S | 31 | 88 |
| Berlin | S | 22 | 72 | Innsbruck | T | 22 | 72 | New York | C | 22 | 72 | Tenerife | S | 25 | 77 |
| Biarritz | C | 21 | 70 | Inverness | F | 16 | 61 | Nice | F | 26 | 79 | Tokyo | — | — | — |
| Blackpool | S | 17 | 63 | Istanbul | S | 26 | 79 | Oporto | S | 30 | 86 | Toronto | C | 19 | 66 |
| Bordeaux | C | 22 | 72 | Jersey | F | 18 | 64 | Oslo | S | 20 | 68 | Tunis | S | 31 | 88 |
| Brussels | C | 17 | 63 | Jo'burg | — | — | — | Paris | S | 21 | 70 | Valencia | S | 29 | 84 |
| Budapest | F | 28 | 82 | Las Palmas | S | 25 | 77 | Prague | S | 22 | 72 | Venice | F | 26 | 79 |
| B. Aires | — | — | — | Lima | — | — | — | Reykjavik | C | 7 | 45 | Vienna | F | 25 | 77 |
| Cairo | — | — | — | Lisbon | S | 28 | 82 | Rio de J'o | — | — | — | Warsaw | S | 21 | 70 |
| Cape Town | — | — | — | Locarno | R | 20 | 68 | Rome | C | 26 | 79 | Zurich | C | 19 | 66 |
| Caracas | — | — | — | London | C | 16 | 61 | | | | | | | | |
| Casablanca | C | 25 | 77 | Los Angeles | S | 20 | 68 | | | | | | | | |
| Copenhagen | S | 23 | 73 | Luxembourg | S | 21 | 70 | | | | | | | | |
| Corfu | S | 30 | 86 | Madrid | S | 28 | 82 | | | | | | | | |
| Dublin | C | 18 | 64 | Majorca | F | 28 | 82 | | | | | | | | |

*Readings at mid-day yesterday:*

C–Cloudy D–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sun Sl–Sleet Sn–Snow T–Thunder

# Brazil gets BIS respite

Continued from Page 1

While the Brazilian Government continues to insist it will fulfil its obligations towards its foreign creditions, the President warned that "national sovereignty cannot be tampered with".

Over the weekend, Sr Jose Serrano, external director of the central bank, said the "finishing touches" were being put to Brazil's revised agreement with the IMF. The letter of intent could be signed "at any moment" be commented.

Meanwhile, the U.S. Eximbank's plan to double its exposure in Brazil by providing loan guarantees of $1.5bn has run into unexpected opposition and the General Accounting Office (GAO), Congress's independent federal watchdog agency, has been asked to rule by September 15 whether the action is legal.

Senator William Proxmire, the ranking Democrat on the Senate Banking Committee, last week asked the GAO to investigate the $2bn in loan guarantees for Mexico and Brazil which Eximbank announced a fortnight ago. Senator Proxmire said that the guarantees which will be used to enable the two heavily indebted countries to import U.S. goods, are a "sharp departure from the traditional role of the bank."

# Caracas and IMF defer debt talks

Continued from Page 1

amount to several hundred million dollars and particularly affect private sector debt.

The arrears have arisen more through bureaucratic indifference than actual shortage of foreign exchange but the problem has been exacerbated by a long-simmering feud between the country's Finance Ministry and its central bank.

This came out into the open over the weekend when Sr Leopoldo Diaz Bruzual, the President of the central bank, complained that the Finance Ministry had been preparing new foreign exchange rate regulations without consulting the bank.



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Tuesday August 30 1983



INTERNATIONAL BONDS

# French set 1983 record as dealers await rate fall

BY PETER MONTAGNON IN LONDON

ALMOST UNNOTICED, the Eurobond market set a new record for 1983 last week with the launch of a $75m, 12-year 12⅞ per cent issue for France's overseas development agency Caisse Centrale de Cooperation Economique.

This was not only the first straight dollar Eurobond in a month, it was also the highest coupon on offer this year – and it came in a week which began with dealers confidently expecting that U.S. interest rates were set to fall.

There can scarcely be a more telling example of the way in which bond investors all over the world are new confused over the actual trend on interest rate and currency markets.

During August, the dollar has been stronger against the D-Mark than at any time in nearly ten years. It has also touched 1983 peaks against the yen and the Swiss franc, and all on the back of expectations that U.S. interest rates were set to rise.

Since money supply figures began to improve again by the start of last week there was, however, a growing feeling that such movements could be reversed with the dollar – and U.S. interest rates – falling back.

This is a very sensitive moment for investors in the currency conscious bond markets. It explains why one recent fashion (which continued last week) in the dollar bond market has been demand for warrants.

Warrants, which entitle the holder to buy a given bond at a preset price at some time in the future, are one way of locking into today's interst rates at tomorrow's exchange rate. Non-dollar based investors can only benefit if the dollar falls before the warrant is exercised, and at the same time bond prices rise because interest rates, too, are lower.

For much the same reason, at the start of last week some investors were piling into non-dollar issues with the object of buying the currencies concerned while they are still weak.

This was particularly true of the high-coupon currencies such as sterling, the Canadian dollar and the Ecu.

All three sectors saw successful issues last week. Farm Credit Corporation of Canada's issue was increased in two successive stages to C$75m from C$50m and Union Bank of Norway's issue was raised to Ecu 40m from Ecu 30m. It was followed up on Friday with the Ecu 50m issue for the EEC.

Yet, by Thursday, when the Federal Reserve entered the New York credit market to drain liquidity from the banking system, such reasoning seemed to have been turned on its head.

The dollar immediately began to strengthen again, and bond markets weakened even though dealers were already discounting a further drop in the key M-1 money supply indicator. The actual drop of $200m was smaller than suspected, and immediately put the U.S. bond market under pressure.

Besides, a glance at the chart shows that short-term Eurocurrency rates all rose marginally over last week as a whole. In the dollar bond market, disappointed expectations of lower rates were mitigated only by one consoling factor. The new World Bank 12 per cent issue due in 1993 appears to have set a new coupon benchmark for the market after its month of rest. With such a well-priced yield, the bonds were easy to place. The paper closed the week at a satisfactory discount of less 1½ points.

CREDITS

# Montagu leads £250m Swedish credit

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT, IN LONDON

THE appointment of Mr Staffan Gadd as chairman of Samuel Montagu caused many eyebrows to be raised in the City when it was announced in 1980. For, as a foreigner, the Swedish Mr Gadd had accomplished what still is a rare feat by being invited to head a very British merchant bank.

Now the appointment has paid off in a special way. Montagu has just been mandated to lead the largest ever sterling syndicated credit in the form of a £250m ($377m), six-year deal for the Kingdom of Sweden. The credit combines Sweden's ever-present appetite for a diversified source of foreign borrowing with a substantial availability of funds in London since British local authorities stopped borrowing from the banks last year.

During August, the dollar has been stronger against the D-Mark than at any time in nearly ten years. It has also touched 1983 peaks against the yen and the Swiss franc, and all on the back of expectations that U.S. interest rates were set to rise.

Since money supply figures began to improve again by the start of last week there was, however, a growing feeling that such movements could be reversed with the dollar – and U.S. interest rates – falling back.

But for the market itself the more significant aspect of the Swedish deal is probably that a large potential market for sterling loans has opened up in London as local authorities provide banks with cash by repaying their borrowings (they are now being financed entirely by the Public Works Loan Board).

It is enhanced by a dearth of UK corporate business for foreign banks in London as well as the Bank of England's express wish to slow down the growth of the popular acceptance credit market.

Samuel Montagu stressed over the weekend that Sweden's loan has no multi-currency option and can be drawn only in sterling.

In this it differs from many other sterling Eurocredits launched in the past, though the market for pure sterling deals has been growing rapidly of late, even if most have been rather small.

Even as Montagu starts this week with Industrial Bank of Japan and Sparbankernas Bank acting as co-ordinators to assemble a lead management group for Sweden, Lloyds Bank has slipped in a much smaller £35m domestic sterling loan for the Spanish telephone company, Telefonica. The eight-year loan will bear a margin of ½ per cent for the first four years rising to ⅝ per cent thereafter. Other lead managers are Dai-Ichi Kangyo and County Bank.

Elsewhere, the Eurocredit market was dominated last week by news that Morocco had joined the list of countries seeking a rescheduling. Morocco will meet its bankers to discuss the matter on September 9, but initial expectations are that the rescheduling will be far less complicated than some

With a lack of new business, some selected loans in the market are also going very well. An outstanding example of this is the $150m credit being arranged for Colombia through a group of banks led by Chemical. The loan, which started very slowly, is now oversubscribed and looks set to be increased to $225m.

Colombia is one of only two countries in Latin America that has not rescheduled, and the success of the loan suggests that banks are really able to differentiate between individual risks in sovereign lending even in a continent where most borrowers have been swept up into the rescheduling basket.

DANISH BONDS

# Government moves strengthen sentiment

BY HILARY BARNES IN COPENHAGEN

THE ENORMOUS rise in Danish bond prices last winter was tempered by a mild recoil in the summer with the average effective interest rate rising from 13.5 per cent at the end of April to about 14.5 per cent. Last week, however, the market began to firm up again, accompanied by a widespread feeling that interest rates, which vary from around 12½ per cent on short-term Government bonds to over 15 per cent on long-term mortgage bonds, should fall on average by a couple of points during the autumn.

Bankers and brokers, however, do not expect a repeat of the extraordinary bull market of last winter, when bond prices rose daily and the average effective interest rate fell from almost 22 per cent last September to its April level.

Such a market recovery has never been experienced before and is unlikely to be experienced again.

International factors, including the decline in U.S. interest rates last week, have improved market sentiment, but the crucial factors in the present situation are domestic.

The non-socialist coalition Government, which came into office last September after eight years of governments headed by Social Democrats, has proposed in the 1984 budget to cut the budget deficit for the first time since 19[illegible], bringing it down from DKr 63bn ($6.62bn) to DKr 59bn.

The market seems to discount the possibility that the minority Government will be defeated in a vote on local government cuts on September 9 or later over the budget.

## CURRENT INTERNATIONAL BOND ISSUES

| Borrowers | Amount m. | Maturity | Av. life years | Coupon % | Price | Lead Manager | Offer yield % |
|---|---|---|---|---|---|---|---|
| **U.S. DOLLARS** | | | | | | | |
| ELEKTROWATT §‡ | 50 | 1998 | 15 | 5 | 100 | CSFB | 5.000 |
| CCCE ‡ | 75 | 1995 | 9.6 | 12⅝ | 100 | Paribas, Goldman Sachs, Salomon Bros. | 12.625 |
| World Bank ‡ | 200 | 1993 | 10 | 12 | 100 | Deutsche Bk., CSFB | 12.000 |
| B.A.I.I. Fin. †‡ | 50 | 1991 | 8 | 5½∅ | 100 | BNP, KIC, Samuel Montagu, Nat. Comm. Bk. of Saudi Arabia | – |
| **CANADIAN DOLLARS** | | | | | | | |
| Farm Credit Corp. ‡ | 75 | 1990 | 7 | 12¼ | 100 | Wood Gundy, Nomura, SBCI, Soc. Gen. de Bque. | 12.250 |
| SEK ‡ | 50 | 1988 | 5 | 12¼ | 100 | Morgan Stanley, Daiwa Europe, Enskilda Secs., Wood Gundy | 12.250 |
| **D-MARKS** | | | | | | | |
| Ryobi Ltd. ** ¶‡ | 30 | 1988 | 5 | 5½ | 100 | DG BANK | 5.500 |
| Arab Banking Corp. ‡ | 100 | 1988 | 5 | 8 | 99¼ | Commerzbank | 8.189 |
| World Bank ‡ | 300 | 1989 | 6 | 7⅞ | 100 | Deutsche Bank | 7.875 |
| Lonrho Intl. Fin. ‡ | 75 | 1990 | 6 | 9 | 100 | BHF-Bank | 9.000 |
| Asics Corp. § | 50 | 1991 | 8 | 5¼ | 100 | Commerzbank | * |
| **SWISS FRANCS** | | | | | | | |
| Prov. of Newfoundland. ‡ | 100 | 1993 | – | 5¾ | 100¼ | UBS | 5.716 |
| Tokyo Electric ‡ | 100 | 1991 | – | 5⅞ | 100 | CS | 5.875 |
| GTE Fin. ≈‡ | $84 | 1993 | – | 7¾ | 100 | Soditic | 7.750 |
| Japan Devt. Bank **‡ | 150 | 1988 | – | 5¾ | 99¾ | UBS | 5.809 |
| TBK **‡ | 30 | 1988 | – | 6 | 99½ | UBS | 6.119 |
| **SWISS FRANCS** | | | | | | | |
| Sumitomo Bk. Gen. Leasing **‡ | 15 | 1988 | – | 6 | 99½ | Banca del Gottardo | 6.119 |
| City of Vienna | 100 | 1993 | – | * | * | Kredietbank (Suisse), Nordfinanz-Bk. Zurich | * |
| Xerox Fin. | 100 | 1993 | – | * | * | CS | 5.500 |
| Canon Sales Co. Inc. **§ | 100 | 1988 | – | * | 100 | Banca della Svizzera Italiana | * |
| **STERLING** | | | | | | | |
| Finland ‡ | 50 | 1988 | 5 | 11⅞ | 100 | Baring Bros. | 11.875 |
| Cigna Ovs. Fin. ‡ | 30 | 2008 | 25 | 13 | 99¾ | Morgan Grenfell, Morgan Guaranty | 13.036 |
| **LUX. FRANCS** | | | | | | | |
| Bay. Landesbank ** | 250 | 1988 | 4.4 | 10⅝ | * | Bque. Gen. du Lux | * |
| **ECUs** | | | | | | | |
| Union Bk. of Norway ‡ | 40 | 1990 | 7 | 11⅛ | 100 | Kredietbank Lux., BBL, Soc. Gen. de Bque. | 11.125 |
| EEC | 50 | 1993 | 10 | 11¼ | * | ABN, Kredietbank Intl. | * |
| **YEN** | | | | | | | |
| Indonesia ‡ | 10 bn | 1998 | 6.4 | 8½ | 99.80 | Nomura Secs. | 8.721 |
| Pusan City (S. Korea) **‡ | 5bn | 1990 | 6.4 | 8.7 | 99.8 | Nomura Secs. | 8.930 |
| RTT (Belgium) **‡ | 10bn | 1993 | 9 | 8½ | 100 | Nikko Secs. | 8.681 |
| Fujian Invst. **‡ | 5bn | 1993 | 9 | 8½ | 100 | Sanyo Secs., Bk. of Tokyo, Nomura Secs. | 8.681 |
| Verbundgesellschaft ‡ | 15bn | 1993 | 9 | 8 | 99.75 | Yamaichi Secs. | 8.198 |

* Not yet priced. ‡ Final terms. ** Placement. † Floating rate note. ∅ Minimum. § Convertible. ¶ With warrants. ≈ Dual currency issue. Note: Yields are calculated on AIBD basis.

U.S. BONDS

# Fed's intervention catches market wrong-footed

THE U.S. credit markets began last week in a confident mood but this suddenly changed last Thursday when the U.S. Federal Reserve Board drained reserves from the banking system and put an end to the market's belief that U.S. interest rates were heading towards a lower plateau.

It was the puzzling downwards movement in the Fed funds rate for much of the week which wrong-footed the market. Having averaged the previous couple of weeks at around 9⅝ per cent, the rate fell steadily for the first three and a half days of last week and by early Thursday morning was testing the 9 per cent mark.

Although the rate ofen moves erratically, some analysts argued that the length of its downward march, coming shortly after the latest Federal Open Market Committee meeting, which sets monetary policy for the next month and a half, could mean only one thing.

Other rates took their cue from the Fed funds. The yield on three-month treasury bills at last week's auction fell 25 basis points to 9.18 per cent and the new treasury long bond, the 2013 carrying a 12 per cent coupon moved above 104 and at one stage on Thursday touched 104²⁄₃₂.

Consequently, when the Fed stepped in just before lunchtime and drained reserves—which has the effect of increasing interest rates—the market did an about-turn and bond prices fell by more than a point. The auction, was regarded as particularly significant since it took place on the first day of a new statement week.

Most analysts believe the Fed's action signalled that it had no intention of easing monetary policy further; rather than that it was taking a more restrictive stance. Given the speed with which the Fed funds rate was trading downwards, the move was not totally unexpected.

Nevertheless, that does not explain away the behaviour of the Fed funds rate early last week. Some analysts said it was all the fault of Hurricane Alicia which disrupted the bank's cheque clearing operations and caused a temporary increase in bank reserves.

Having misread the movements in the Fed funds rate the credit markets were in no mood to hear that they had also badly overestimated the decline in the latest money supply figures. The $200m fall in M1 was much less than the market had expected and coinciding as it did with the release of the minutes of the previous FOMC meeting, which revealed that the Fed had adopted a slightly firmer stance, the news led to further heavy falls in U.S. bond prices.

The treasury long bond fell almost a full point to 102½ and the yield on three-month Treasury bills rose 13 basis points to 9.33 per cent. Dealers believe that the Fed funds rate is heading back to the 9.5 per cent level after its temporary softness.

The combination of events at the end of the week left the market in a nervous state especially since the next two sets of money supply figures are widely expected to show hefty increases in the nation's basic money supply.

At the same time monetary growth appears to be responding to the slightly firmer policy measures with M1 moving down to close to its Fed target range of 5 per cent to 9 per cent. Coupled with growing economic evidence that the economic recovery is not as hectic as it seemed a few months ago, most analysts believe that the FOMC at last week's meeting will have opted to maintain a stable stance on monetary policy.

**William Hall**

U.S. INTEREST RATES (%)

| | Week to Aug 26 | Week to Aug 19 |
|---|---|---|
| Fed funds wkly aver | 9.41 | 9.67 |
| Three-month CDs ... | 9.47 | 9.70 |
| Three-month T-bills . | 9.18 | 9.29 |
| 30-year Treas bond... | 11.67 | 11.68 |
| AAA Utility ............ | 12.50 | 12.75 |
| AA Industrial ......... | 12.50 | 12.75 |

-Source: Salomon Bros (estimates).

In the week ended August 17 M1 fell by $200m to $516.9m.

# Honda lowers motorcycle sales and profits targets

BY YOKO SHIBATA IN TOKYO

HONDA MOTOR, the world's largest motor-cycle manufacturer, said yesterday it would revise its motor-cycle sales target down by 19.5 per cent to 3.1m units for the year to end-February 1984. Its initial plan was for 3.85m units.

As a result, Honda's full-year operating profits will be 10 per cent below the earlier projection of Y52bn ($212m), compared with Y50.6bn for the last financial year.

The lower target reflects Honda's involvement in fierce competition for domestic sales, which has already harmed Yamaha, the second largest maker. Over-production in the past year, followed by falling domestic demand since the start of the year, has brought exceptionally high stock levels.

Honda's domestic sales target is to be cut by 500,000 units, or 30 per cent to 1.15m units from an initial target, set in April, of 1.65m. Export sales are revised downwards by 250,000 units or 11.4 per cent to 1.95m, owing to slack demand in developing countries, especially oil producers.

The company originally projected domestic demand to rise 400,000 units to 1.65m sets on the strength of a wide array of new models put on sale since the end of last year. However, the conventional practice of boosting sales by bringing out one new model a week has failed.

According to industry sources, domestic shipment of motorcycles by Japan's four makers, Honda, Yamaha, Suzuki and Kawasaki in the January-June half year fell to 1.42m, down by 20.7 per cent from the previous year's level.

Honda's shipment of motorcycles in the January-June half year dropped by 9.4 per cent to 667,189 units. Yamaha and Suzuki fared worse, down respectively by 32.5 per cent to 414,296 units and 24.3 per cent to 321,504 units. Kawasaki Heavy Industries alone recorded a 10.1 per cent gain to 20,758 units in the first half year.

The market sources assumed that the industry still holds excess domestic inventories totalling 1.5m sets, equivalent to half of annual domestic demand.

● Suzuki said it is studying the feasibility of joint production of large motorcycles in the U.S. as a means of avoiding high import duties on Japanese motorcycles, Reuters adds from Tokyo.

Suzuki said no final decision has been made but that it had discussed with Toro, a Minnesota power equipment producer, the question of joint production using Toro's idle factories.

Last April the U.S. imposed a 49.4 per cent duty on imported Japanese motorcycles with engine capacity of more than 700 cc. The previous levy was 4.4 per cent.

# First-half rise at Boral

By Michael Thompson-Noel in Sydney

BORAL, the Australian construction and energy group, saw a 7.2 per cent improvement in net profit in the year to June 30, from A$51m to A$54.6m (US$48m), though last year's A$200m-plus acquisition of rival BMI had a significant impact on interest charges.

However, Boral says a substantially higher profit is expected in the current year, now that BMI has been successfully absorbed.

Sales for the year were A$1.1bn. Pre-tax profit was A$92.6m (A$89.1m); tax accounted for A$35.4m (A$37.1m); and interest charges were A$41m, against only A$17.1m previously.

The dividend total has been maintained at 15 cents per share,

Sir Peter Finley, Boral chairman, said the sale of A$40m-worth of assets since the BMI acquisition had helped significantly to reduce borrowings.

# Listed vehicle for Datuk Syed Kechik

BY WONG SULONG IN KUALA LUMPUR

DATUK SYED KECHIK, reputedly the richest Bumiputra (indigenous Malay) businessman in Malaysia, has finally gained control of a publicly-listed vehicle through the purchase of a controlling stake in Temerloh Rubber Estates from its British owners.

The complicated deal, worth 21.17m ringgit (U.S.$9m) will give Syed Kechik nearly 33 per cent of Temerloh, but with effective control.

Temerloh, which had paid-up capital of 15.38m one ringgit shares, is controlled by a retired English planter, Mr H. T. M. Grumitt and his associates, through Malayan Securities Trust and North Malayan Newspapers.

Syed Kechik will buy 5.04m Temerloh shares at 4.2 ringgit each from MST, and inject these into North Malayan Newspapers in exchange for NMN shares.

NMN will then hold 48.5 per cent of Temerloh, and Syed Kechik will hold two-thirds of NMN.

NMN will make a similar offer to minority shareholders in Temerloh, but it is unlikely to be taken up since Temerloh is currently being traded at over 6 ringgit per share.

NMN said that through Syed Kechik's participation Temerloh has adhered to the Government's New Economic Policy in terms of Malay equity ownership, as well as having a major shareholder who is in a position to direct its expansion and diversification.

Temerloh owns two plantations in Pahang state, with a total acreage just over 2,000 hectares, with a balanced crop of rubber and oil palm.

Syek Kechik has been in the market for a publicly-listed company for the past two years, but his various attempts had for various reasons failed to get through.

# Interim rise at Boliden

By David Brown in Stockholm

BOLIDEN, the Swedish metals and chemicals group, reports a sharp rise in first-half pre-tax profits to SKr 294m ($38.1m) compared with the loss of SKr 75m during the same period last year.

Sales rose 60 per cent to SKr 3.6bn. Half the growth was attributed to higher trading volumes, especially in petrochemicals. A U.S. acquisition, the Boliden Metech precious metals trading company, added to the sales expansion.

Earnings in the mineral division climbed from SKr 10m in the first half of last year to SKr 217m. The metal division recovered to a profit of SKr 60m compared with a loss of SKr 36m. The chemical division improved by SKr 21m to SKr 53m.

The upturn was also aided by the devaluation of the Swedish krona last year, which effectively increased the krona value of foreign currency priced products.

The group has reorganised and expanded its international trading and consulting operations.

# Wereldhave placement

By Our Financial Staff

THE DUTCH pension funds PGGM and PVM yesterday asked a court in The Hague to prohibit voting rights attached to a new placement of 1.36m shares by Wereldhave, the Rotterdam-based property fund.

Wereldhave announced the details of the share placement on Friday as part of its defence against a takeover bid by the two funds. The shares were placed at Fl 155.50 ($52.7) each, subject to deduction of the interim dividend. An unspecified number of the shares comprised a new issue.

Of the placement, 1m shares have been taken up by SPR, the Dutch co-operative bank's pension fund, 310,000 by a Dutch medical pension fund and 50,000 by Westland-Utrecht, the Dutch mortgage bank.

Wereldhave claims that institutions holding 50 per cent of the enlarged ordinary share capital have given assurance that they would not accept the pension funds' bid.

PGGM and PVM are also challenging Wereldhave's issue in July of 2m new preferential shares.

# Fokker's half-year earnings rise 5%

BY WALTER ELLIS IN AMSTERDAM

EARNINGS at Fokker, the Dutch aerospace group, rose by 5 per cent over the first six months of this year compared with the opening half of 1982, and there are indications that 1983 could see a partial recovery.

At the mid-way point last year, Fokker was optimistic about future profits but went on to record an annual loss of Fl 10.2m ($3.5m). This time, the company observes that, "as a result of a slight economic recovery and our ceaseless sales efforts," sales may be picking up. It forecasts earnings for the year of around Fl 12m.

The net result for the first half was Fl 6.34m, against Fl 6m previously. Sales rose by 47 per cent, to Fl 788m, but costs were also up sharply. A Fl 5m transfer to cover the costs of a workforce reduction, arising from 1982, helped bring down pre-tax profit to only Fl 8.7m. Increased taxes of Fl 2.35m produced the final, net result.

Aircraft deliveries over the six months lived up to expectations with seven F-27 and nine F-28 airliners handed over, while production programmes involving assembly of the U.S.-designed F-16 fighter and components for the Airbus and for Shorts of Belfast all proceeded as planned.

Since June, Fokker has been heartened by the sale to Piedmont Airways of the U.S. of 12 second-hand F-28 s for about $70m. The aircraft, and eight others on which Piedmont has an option, were bought back from Garuda Airways of Indonesia as part of a major re-equipment contract signed last November.

Fokker's slim-down, begun last year, left the company at the end of June with 9,200 employees, 400 fewer than in 1982.

# Norsk Hydro upgrades full-year forecasts

BY FAY GJESTER IN OSLO

NORSK HYDRO, the Norwegian industrial and energy concern, expects results for the current year to show a definite improvement on 1982. In its earlier report for 1982, the group foresaw 1983 profits and sales being only about the same.

Market conditions have improved for several of the company's main products. This had improved profitability both through higher capacity utilisation and through the higher prices obtained. Cost trends had been more favourable.

Although the financial results for both light metal and petrochemical products were significantly better than in the first half of 1982, it was still oil and gas, followed by fertilisers, which accounted for the greater part of the group's profits.

Half year figures, published earlier this month, showed turnover and pre-tax profits sharply up on the opening half of 1982. Sales rose to NKR 13.72bn from NKR 9.69bn.

Pretax profits increased to NKR 1.34bn from NKR 989m.

# Korf deal gives Kuwaitis control

BY TERRY DODSWORTH IN NEW YORK

CONTROL of Korf Industries, the medium sized U.S. steel-maker, has passed to Kuwaiti interests following the capital re-organisation last week.

As a result of the deal, Korf is severing its links with the financially troubled Korf Industry Handel of West Germany. The Kuwaiti investors who previously held 30 per cent of the U.S. group, are now raising their stake to 51 per cent with the rest of the capital divided between employees and a bank consortium.

Korf's new shareholding structure comes into operation after a substantial rationalisation involving the sale of one of its two steel-making plants and its steel engineering subsidiary. Mr Roger Regelbrugge, President of the company said that the Kuwaitis' interest was as investors rather than operators.



# FT INTERNATIONAL BOND SERVICE

U.S. DOLLAR STRAIGHTS

| U.S. DOLLAR STRAIGHTS | Issued | Bid | Offer | Change on day | Change on week | Yield |
|---|---|---|---|---|---|---|
| Amex O/S Fin. 10¼ 90 | 100 | 92⅝ | 93⅛ | −0⅛ | +0⅛ | 11.83 |
| Bk. of Amer. 8 88 XW | 150 | *†85¼ | 85¾ | 0 | +0⅞ | 12.36 |
| Bk. of Tokyo Hd. 11 90 | 100 | 94 | 94½ | −0⅛ | +0⅛ | 12.29 |
| Brit. Col. Hyd. 10¼ 88 | 200 | 96½ | 97 | −0⅛ | 0 | 11.16 |
| CCCE 11⅛ 97 | 100 | 93⅞ | 94⅜ | 0 | −0⅛ | 12.63 |
| CIBC 11 90 | 75 | 91⅝ | 92⅛ | +0⅛ | 0 | 12.76 |
| Citicorp O/S 10⅛ 90 | 100 | 91 | 91½ | −0⅛ | +0⅛ | 12.34 |
| Coca Cola Int. 9⅞ 92 | 100 | 91½ | 92¼ | +0½ | +2⅛ | 11.34 |
| Cr. Suisse Bah. 10½ 90 | 150 | 95 | 95½ | −0⅛ | −0⅛ | 11.54 |
| Credit Suisse 10½ 89 | 100 | †95 | 95½ | −0⅛ | +0⅛ | 11.57 |
| Den Norsk Crd. 11⅛ 93 | 50 | 92½ | 93 | −0¼ | +0⅛ | 12.56 |
| Du Pont 11⅛ 95 | 150 | 97⅞ | 98⅜ | −0⅛ | +0⅛ | 11.53 |
| ECSC 11⅞ 90 | 75 | 98¼ | 98¾ | −0½ | 0 | 12.20 |
| EDC 10⅜ 88 | 100 | 97⅛ | 97⅝ | −0⅛ | −0⅛ | 11.50 |
| EDC 11⅜ 87 | 100 | 99½ | 100 | −0⅛ | 0 | 11.80 |
| EDF 11½ 93 | 100 | 91⅛ | 91⅞ | −0⅛ | +0⅛ | 12.65 |
| EEC 10⅛ 95 | 75 | 88⅝ | 89⅛ | −0⅛ | −1 | 12.60 |
| EEC 11 87 | 350 | 97⅜ | 97⅞ | 0 | −0⅛ | 11.78 |
| EIB 10⅜ 93 | 200 | 91½ | 92 | −0⅛ | 0 | 12.22 |
| EIB 11 91 | 125 | 94⅛ | 94⅝ | −0⅛ | 0 | 12.15 |
| Electrolux 10½ 90 | 50 | 91⅝ | 92⅛ | −0⅛ | +0⅛ | 12.31 |
| Enserch Fin. 11⅜ 93 | 100 | 93 | 93½ | +0⅛ | +0⅛ | 12.85 |
| Fuji Int. Fin. 10⅞ 90 | 100 | †91⅛ | 91⅝ | −0½ | −0⅛ | 12.81 |
| Gen. Elec. Credit 9¾ 91 | 100 | 89¾ | 90¼ | −0⅛ | +0⅛ | 11.75 |
| GMAC O/S Fin. 10½ 90 | 200 | 95 | 95½ | −0⅛ | +0½ | 11.56 |
| Honeywell Int. 10⅜ 90 | 100 | 96⅛ | 96⅝ | −0⅛ | 0 | 11.53 |
| Ind. Bk. Japan 10⅞ 88 | 100 | 96⅛ | 96⅝ | −0⅛ | +0⅛ | 11.86 |
| Japan Air Lines 10⅞ 98 | 42 | 90 | 90½ | 0 | +0⅛ | 12.32 |
| Japan Air Lines 11 93 | 75 | 93⅞ | 94⅜ | −0⅛ | +0½ | 12.04 |
| J. P. Mrgn. 11⅜ 90 XW | 150 | 97⅜ | 98⅛ | 0 | +0⅞ | 11.81 |
| Levi Strauss Int. 11 90 | 75 | 94⅛ | 95⅛ | −0⅛ | +0⅛ | 12.10 |
| LTCB 10⅜ 90 | 100 | 91½ | 92 | −0⅛ | +0⅛ | 12.61 |
| Merrill Lynch 10⅜ 90 | 200 | 92⅝ | 93⅛ | −0⅛ | +0⅛ | 12.19 |
| Midland Int. F. 11½ 92 | 150 | 95⅝ | 96⅛ | −0⅛ | +0⅛ | 12.24 |
| Mitsubishi Cpn. 10½ 90 | 100 | 92 | 92½ | −0⅛ | −0⅛ | 12.23 |
| Mitsubishi Fin. 11⅜ 90 | 100 | 94⅞ | 95⅜ | −0⅛ | 0 | 12.46 |
| Nippon Credit 11 90 | 100 | 91⅞ | 92⅜ | −0⅛ | +0⅛ | 12.79 |
| Nippon Credit 11⅛ 93 | 100 | 92⅛ | 92⅝ | −0⅛ | −0⅛ | 12.62 |
| OKB 10 91 | 100 | 88⅛ | 88⅝ | −0⅛ | +0½ | 12.19 |
| Ontario Hydro 10⅜ 90 | 250 | 92⅞ | 93⅜ | −0⅛ | +0½ | 11.82 |
| Ontario Hydro 11⅜ 89 | 200 | 99⅛ | 99⅝ | −0⅛ | +0⅛ | 11.33 |
| Ontario Hydro 12⅜ 92 | 200 | 103½ | 103⅞ | −0⅛ | +0⅛ | 12.05 |
| Prudential O/S 10⅜ 93 | 100 | 94⅞ | 95⅜ | −0⅛ | +0⅛ | 11.49 |
| Prudential O/S 12⅜ 87 | 150 | 104⅛ | 105⅛ | −0⅛ | +0⅛ | 11.19 |
| Quebec Hy. 11½ 92 (D) | 100 | 98⅜ | 98⅞ | 0 | 0 | 11.66 |
| Saskatchwn. Pr. 10⅜ 90 | 125 | 94⅛ | 94⅞ | −0⅛ | +0⅛ | 11.94 |
| SNCF 11½ 93 | 100 | 95½ | 96 | 0 | −0⅛ | 12.25 |
| C. Cal. Edison 10½ 90 | 75 | 94⅛ | 94⅝ | 0 | +0⅛ | 11.70 |
| Sumitomo Fin. 10⅞ 90 | 100 | 91⅝ | 92⅛ | −0⅛ | −0⅛ | 12.71 |
| Swiss Bk. Cpn. 10⅜ 90 | 125 | †95⅜ | 95⅞ | −0⅛ | +0⅛ | 11.22 |
| Texaco Capital 9⅜ 90 | 150 | 92⅛ | 92⅝ | −0⅛ | +0⅛ | 11.44 |
| UBS 10 88 | 100 | 98⅜ | 98⅞ | −0⅛ | −0⅛ | 10.93 |
| UBS 11 89 | 150 | 100⅜ | 101⅛ | −0⅛ | −0⅛ | 10.75 |
| Westpac Int. Fin. 11 90 | 100 | *†91½ | 92⅛ | +0½ | +0⅛ | 12.86 |
| World Bank 10⅜ 88 | 150 | 95⅜ | 95⅞ | −0⅛ | −0⅛ | 11.65 |
| World Bank 10⅞ 93 | 100 | 92⅜ | 93⅛ | −0½ | −0⅛ | 12.12 |
| World Bank 11⅛ 98 | 100 | 95½ | 95⅞ | −0⅛ | +0⅛ | 11.75 |

Average price changes... On day −0⅛ on week +0⅛

| DEUTSCHE MARK STRAIGHTS | Issued | Bid | Offer | Change on day | Change on week | Yield |
|---|---|---|---|---|---|---|
| Air Canada 7½ 93 | 100 | 98⅛ | 98⅝ | +0⅛ | +0⅛ | 7.57 |
| ANAS 8¾ 88 | 100 | 99½ | 100 | 0 | 0 | 8.30 |
| Austria, Rep. 7⅜ 89 | 100 | 98⅛ | 99⅛ | 0 | −0½ | 7.86 |
| Austria, Rep. 8 93 | 100 | 99⅞ | 100⅜ | −0⅛ | 0 | 7.98 |
| Avon Int. Fin. 7½ 93 | 100 | 97⅜ | 98⅛ | −0⅛ | −0⅛ | 7.80 |
| BFCE 8⅛ 90 | 150 | 99⅞ | 100⅜ | 0 | −0⅛ | 8.22 |
| Comp. T. N. Esp. 8⅛ 93 | 100 | 94⅛ | 95⅛ | +0⅛ | +0⅛ | 9.32 |
| Deuts. Bk. 3⅛ 91 WW | 240 | 106⅞ | 107⅞ | +0⅛ | −0⅛ | 2.88 |
| Deuts. Bank 3⅛ 91 XW | 240 | 80 | 81 | 0 | +0½ | 7.11 |
| Dresdner Fin. 4 90 WW | 250 | 107⅛ | 108⅛ | −0⅛ | −0⅞ | 2.76 |
| Dresdner Fin. 4 90 XW | 250 | 81⅞ | 82⅛ | +0⅛ | +0⅛ | 7.40 |
| ECSC 8 90 | 150 | 99⅛ | 100⅛ | +0⅛ | +0⅛ | 8.02 |
| EEC 8⅛ 93 | 250 | 100⅛ | 101 | 0 | 0 | 8.13 |
| Eurofima 7½ 90 | 100 | 98⅛ | 98⅝ | −0⅛ | 0 | 7.81 |
| Finland Rep. 7½ 88 | 150 | 99⅛ | 99⅝ | +0⅛ | +0⅛ | 7.75 |
| Int.-Am. Dv. Bk. 7⅜ 93 | 200 | 94⅛ | 94⅝ | −0⅛ | −0⅛ | 8.60 |
| Int. Standard Ele. 7⅜ 93 | 100 | 98⅛ | 98⅝ | −0⅛ | 0 | 7.99 |
| Japan Devt. Bk. 7½ 90 | 100 | 99⅛ | 99⅞ | −0⅛ | −0⅛ | 7.76 |
| Kobe City 7 93 | 120 | 94⅛ | 95⅛ | 0 | −0⅛ | 7.74 |
| LTCB 8 90 | 100 | 98½ | 99 | 0 | −0½ | 8.24 |
| Renault Acceptnce. 8 90 | 150 | 97½ | 98 | +0⅛ | +0⅛ | 8.44 |
| SDF France 7⅞ 93 | 100 | 96⅛ | 96⅝ | −0⅛ | 0 | 8.43 |
| S. African Tran. 8⅜ 90 | 100 | 99⅛ | 99⅝ | 0 | +0⅛ | 8.34 |
| Volkswagen Int. 7⅜ 93 | 200 | 95⅛ | 95⅞ | −0⅛ | −0⅛ | 7.91 |
| World Bank 7⅜ 90 | 250 | 96⅜ | 97⅛ | 0 | 0 | 8.08 |
| World Bank 7⅜ 93 | 300 | 96⅛ | 96⅞ | +0⅛ | +0⅛ | 8.01 |

Average price changes... On day 0 on week 0

| SWISS FRANC STRAIGHTS | Issued | Bid | Offer | Change on day | Change on week | Yield |
|---|---|---|---|---|---|---|
| Akzo 5⅜ 93 | 100 | †98 | 98¼ | −0⅛ | −0⅛ | 5.88 |
| Bergen, City of 6⅛ 96 | 40 | †99 | 99⅛ | −0½ | −0⅛ | 5.96 |
| BTR Finance 5⅜ 93 | 75 | †98 | 98⅛ | −0⅛ | −0⅛ | 5.88 |
| Carls-Tuborg B. 6⅜ 93 | 60 | †100½ | 100⅜ | −0½ | −0⅛ | 5.66 |
| Chujitsuya Co. 5⅞ 93 | 50 | †96⅝ | 97 | −0⅛ | +0⅛ | 6.31 |
| Denmark 6½ 91 | 100 | †101½ | 101⅞ | −0½ | −0⅛ | 6.10 |
| EDC 5⅜ 91 | 100 | †98 | 98⅛ | 0 | −0⅛ | 5.68 |
| EIB 5⅜ 93 | 100 | †100½ | 100⅛ | −0⅛ | +1⅛ | 5.66 |
| Ex.-Im. Bk. Jap. 5⅝ 91 | 100 | †98⅛ | 98½ | +0⅛ | −0⅛ | 5.89 |
| Ind. Fd. Finland 6⅜ 91 | 40 | †100½ | 100⅜ | +0½ | −0⅛ | 6.18 |
| Int.-Am. Dv. Bk. 6½ 93 | 100 | †101 | 101⅛ | 0 | −0⅛ | 5.97 |
| Japan Dev. Bank 5½ 93 | 100 | †98⅛ | 98½ | −0⅛ | −0⅛ | 5.72 |
| Kansai Elec. Pwr. 6 91 | 100 | †101⅛ | 102 | 0 | −0⅛ | 5.69 |
| Kawasaki Steel 6⅛ 91 | 100 | †99⅜ | 100 | −1⅛ | −2⅛ | 6.14 |
| Montreal Urban 5⅜ 93 | 100 | †99⅜ | 100 | 0 | −0⅛ | 5.76 |
| Mount Isa Fin. 6 93 | 100 | †102½ | 102⅜ | +0½ | −0⅛ | 5.64 |
| Nisshin Steel 6⅛ 91 | 100 | †98½ | 99⅛ | 0 | −0⅛ | 6.31 |
| Norsk Hydro 5½ 98 | 100 | †97⅛ | 97½ | +0⅛ | +0⅛ | 5.77 |
| Osterr. Draukraft 6 93 | 100 | †102⅛ | 102⅜ | +0⅛ | −0⅛ | 5.64 |
| Osterr. Post 6⅛ 91 | 100 | †102⅜ | 103 | −0⅛ | +0⅛ | 5.66 |
| Quebec Hydro 5½ 93 | 100 | †100⅛ | 100⅜ | −0⅛ | −0⅛ | 5.41 |
| Sekisui House 6 93 | 100 | †101½ | 101½ | +0½ | −0⅛ | 5.81 |
| Sumitomo M. Ind. 6 91 | 100 | †100⅜ | 101 | −0⅛ | −0⅛ | 5.85 |
| Tohoku El. Power 6 93 | 100 | †100 | 100⅛ | −0½ | −0⅛ | 5.98 |
| Trizec Corpn. 6⅛ 91 | 100 | †102½ | 102⅜ | −0⅛ | −0⅛ | 5.81 |
| World Bank 5⅜ 93 | 100 | †97 | 97⅛ | 0 | −0⅛ | 6.02 |

Average price changes... On day −0⅛ on week −0⅛

| YEN STRAIGHTS | Issued | Bid | Offer | Change on day | Change on week | Yield |
|---|---|---|---|---|---|---|
| Australia 8⅛ 92 | 15 | 103⅞ | 104⅛ | +0⅛ | 0 | 7.97 |
| EIB 8⅛ 92 | 15 | 101⅞ | 102⅛ | 0 | +0⅛ | 7.90 |
| Japan Airlines 7⅞ 87 | 8 | †101⅜ | 102⅛ | 0 | −0⅛ | 7.18 |
| New Zealand 7⅜ 89 | 15 | 101⅛ | 101⅞ | 0 | +0⅛ | 7.28 |
| World Bank 8⅛ 92 | 20 | 102⅜ | 103⅛ | +0⅛ | −0⅛ | 7.87 |

Average price changes... On day 0 on week −0⅛

| OTHER STRAIGHTS | Issued | Bid | Offer | Change on day | Change on week | Yield |
|---|---|---|---|---|---|---|
| British Col. 11⅜ 93 C$ | 25 | †94 | 94½ | 0 | −2½ | 12.79 |
| Cn. Pc. Scs. 11⅞ 90 C$ | 75 | †98⅛ | 98⅜ | +0⅛ | +0⅛ | 12.18 |
| Chrb. France 11⅞ 95 C$ | 40 | †93⅜ | 94⅛ | 0 | +0⅛ | 12.87 |
| Montreal 12⅛ 91 C$ | 50 | †99½ | 100 | 0 | +0⅛ | 12.27 |
| Norcen 12⅜ 93 C$ | 60 | †94⅛ | 94⅜ | +0⅛ | +0½ | 13.79 |
| Quebec Prov. 12 93 C$ | 50 | †98⅞ | 99⅛ | +0⅛ | +0⅛ | 12.14 |
| Xerox Canada 12 88 C$ | 40 | †98⅜ | 99⅛ | +0½ | +1 | 12.28 |
| Credit Nat 12⅛ 93 ECU | 50 | 103⅜ | 104⅛ | +0⅛ | +0⅞ | 11.52 |
| Forsmarks 11⅛ 98 ECU | 40 | 102½ | 103⅛ | −0⅛ | +0½ | 11.08 |
| Consol. Foods 7⅛ 88 Fl | 100 | 95 | 95½ | +0⅛ | +0⅛ | 8.52 |
| Elect. Supply 8⅜ 88 Fl | 75 | 95⅞ | 96⅛ | 0 | 0 | 9.79 |
| Nederland Gas 7½ 88 Fl | 100 | 97⅞ | 98⅛ | 0 | −0⅛ | 7.99 |
| Philips Lamps 7⅛ 88 Fl | 100 | 97⅜ | 97⅝ | +0⅛ | +0⅛ | 7.94 |
| Sw. Ex. Cred. 7⅜ 88 Fl | 100 | 94⅜ | 95⅛ | −0⅛ | −0⅛ | 9.11 |
| World Bank 7 88 Fl | 150 | 94⅛ | 94⅝ | −0½ | +0⅛ | 8.56 |
| OKB 14 86 FFr | 400 | 100⅜ | 101⅛ | 0 | 0 | 13.61 |
| Solvay et C. 14⅜ 86 FFr | 200 | 101⅜ | 102⅛ | 0 | +0⅛ | 13.77 |
| BFCE 11½ 88 £ | 50 | 96⅞ | 97⅜ | 0 | +0⅛ | 12.28 |
| British Oxyg. 11⅜ 91 £ | 50 | 99⅜ | 100½ | −0⅛ | +0½ | 11.70 |
| CEPME 11⅜ 95 £ | 35 | †97½ | 98½ | −0⅛ | −0⅛ | 11.55 |
| EEC 11⅞ 91 £ | 50 | 100⅜ | 101⅛ | −0⅛ | +0⅛ | 11.68 |
| Fin. for Ind. 10½ 90 £ | 30 | 95 | 95⅜ | −0⅛ | −0⅛ | 11.50 |
| Fin. for Ind. 12⅜ 88 £ | 30 | 103⅛ | 104⅛ | −0⅛ | 0 | 11.26 |
| F. Mat. Oranji. 12⅜ 92 £ | 30 | 101⅛ | 102 | −0½ | −0⅛ | 12.33 |
| Gen. Elec. Co. 12½ 89 £ | 50 | 103⅛ | 104⅛ | 0 | 0 | 11.50 |
| Mort. Bk. Fin. 11⅜ 89 £ | 15 | 96 | 97 | −0⅛ | −0⅛ | 12.56 |
| Norsk Hydro 12 90 £ | 30 | 101⅛ | 102½ | +0⅛ | +1 | 11.56 |
| Quebec 14½ 89 £ | 30 | 108⅜ | 109⅛ | 0 | −0⅛ | 12.34 |
| SNCF 11½ 88 £ | 30 | 95⅞ | 96⅞ | −0⅛ | +0⅛ | 12.35 |
| Sweden 11⅜ 93 £ | 50 | 93⅜ | 94 | −0⅛ | +0⅛ | 12.39 |
| Sw. Ex. Cred. 11⅛ 88 £ | 30 | 96⅜ | 97⅜ | 0 | +0⅛ | 12.08 |
| World Bank 11⅛ 88 £ | 100 | 96⅞ | 97⅜ | 0 | 0 | 11.88 |
| World Bank 11⅜ 91 £ | 75 | 99⅛ | 99⅞ | +0½ | +0⅛ | 11.45 |
| Euratom 11 93 LuxFr | 500 | 104⅛ | 105⅛ | 0 | −0⅛ | 10.11 |
| Europarat 10⅜ 93 LuxFr | 600 | 102⅛ | 103⅛ | 0 | −0⅛ | 10.29 |

| FLOATING RATE NOTES | Spread | Bid | Offer | C.dte | C.cpn | C.yld |
|---|---|---|---|---|---|---|
| BFCE 5¼ 87 | 0⅛ | 99½ | 99⅜ | 27/1 | 10⅞ | 10.93 |
| BFCE 5¼ 88 | 0⅛ | 99⅛ | 99⅜ | 20/1 | 10.18 | 10.26 |
| Caisse Nat. Tele. 5¼ 90 | 0⅛ | 99 | 99⅛ | 21/10 | 9.56 | 9.65 |
| CCF 5⅛ 95 | 0⅛ | 99 | 99⅛ | 7/10 | 10.19 | 10.28 |
| CCF 5⅛ 98 | 0⅛ | 99⅞ | 100 | 24/9 | 9.94 | 9.95 |
| CEPME 5⅛ 88 WW | 0⅛ | 99⅜ | 99⅞ | 3/9 | 10 | 10.04 |
| CEPME 5⅛ 92 | 0⅛ | 99⅜ | 99⅜ | 10/12 | 10⅛ | 10.56 |
| Chemical NY 5⅛ 94 | ‡0⅛ | 100⅛ | 100⅜ | 23/9 | 10.82 | 10.76 |
| CNCA 5⅛ 95 XW | 0⅛ | 98⅜ | 99 | 7/12 | 10 | 10.11 |
| CNT 5⅛ 91 | 0⅛ | 98½ | 98⅜ | 6/11 | 9⅛ | 9.38 |
| Credit Agricole 5⅛ 97 | 0⅛ | 99½ | 99⅛ | 24/9 | 10 | 10.04 |
| Credit Lyonnais 5⅛ 94 | 0⅛ | 98⅞ | 99⅛ | 5/1 | 10.31 | 10.42 |
| Credit Lyonnais 5⅛ 97 | 0⅛ | 98⅜ | 99 | 1/10 | 10.06 | 10.18 |
| Credit Nat. 5⅛ 94 | 0⅛ | 98⅞ | 99⅛ | 9/9 | 9⅛ | 9.33 |
| EDF 5⅛ 95 XW | 0⅛ | 99⅜ | 99⅞ | 10/2 | 11⅛ | 11.40 |
| EEC 5 90 | 0⅛ | 99⅜ | 99⅞ | 5/1 | 10.19 | 10.24 |
| Kansallis Osake 5½ 92 | 0⅛ | 99⅜ | 100 | 6/11 | 9⅛ | 9.14 |
| Long Term Credit 5⅛ 92 | 0⅛ | 99⅞ | 100⅛ | 27/11 | 9⅜ | 9.75 |
| J. P. Morgan 5⅛ 97 | §0⅛ | 100½ | 100⅜ | 12/11 | 10.81 | 10.75 |
| New Zealand 5⅛ 87 | 0⅛ | 100 | 100⅛ | 7/10 | 10.06 | 10.06 |
| NZ Steel Dev. 5⅛ 92 | 0⅛ | 99⅞ | 100⅛ | 22/12 | 10⅛ | 10.24 |
| Nippon Credit 5⅛ 90 | 0⅛ | 100⅛ | 100½ | 10/2 | 11⅛ | 11.21 |
| Societe Gen. 5⅛ 90 XW | 0⅛ | 98⅛ | 99 | 9/11 | 9⅛ | 9.23 |
| Societe Generale 5⅛ 95 | 0⅛ | 99⅛ | 99⅜ | 1/9 | 9½ | 9.57 |
| Sweden 5⅛ 89 | 0⅛ | 99⅜ | 100 | 26/8 | 9⅜ | 9.64 |
| Sweden 5⅛ 93 | 0⅛ | 100 | 100½ | 3/2 | 11.19 | 11.16 |

Average price changes... On day 0 on week +0⅛

| CONVERTIBLE BONDS | Cnv. date | Cnv. price | Bid | Offer | Chg. day | Prem |
|---|---|---|---|---|---|---|
| Bridgestone Tire 5½ 96 | 3/82 | 470 | 108 | 109⅜ | −0⅛ | 5.91 |
| Canon 7 97 | 7/82 | 748.2 | 231 | 233 | −5⅛ | 15.88 |
| Daiwa Sec. Co. 5½ 98 | 10/83 | 508 | 96⅞ | 98⅛ | −0⅛ | −1.27 |
| Hitachi Cable 5⅛ 96 | 2/82 | 515 | 112⅞ | 114⅛ | 0 | 6.55 |
| Honda Motor 5⅛ 98 | 6/83 | 894 | 97⅜ | 98⅛ | −0½ | 3.69 |
| Honda Motor 5½ 97 | 3/82 | 759.8 | 111½ | 113 | −0⅛ | 1.32 |
| Kumagai Gumi 6½ 97 | 10/82 | 400 | 115⅞ | 117⅛ | +0⅛ | 2.19 |
| Kyowa Hakko 6⅛ 97 | 2/83 | 762 | 117⅛ | 119⅛ | −2 | 9.95 |
| Minebea Co. 5½ 98 | 5/83 | 667 | 126⅜ | 127⅞ | −0⅛ | −1.18 |
| Mitsubishi Elec. 5⅛ 98 | 6/83 | 396 | 100½ | 111⅛ | −0½ | 7.42 |
| Nippon Electric 5⅛ 97 | 2/82 | 765.9 | 187⅜ | 188⅞ | −2⅛ | 3.82 |
| Nippon Oil Co. 5½ 98 | 4/83 | 964 | 100⅜ | 101⅞ | −0⅛ | 7.93 |
| Nissan Motor 5⅛ 98 | 4/83 | 770 | 88⅛ | 89⅜ | −0⅛ | −0.62 |
| Olympus Optic. 6⅛ 97 | 12/82 | 1331 | 99½ | 100⅜ | −0⅛ | 13.93 |
| Orient Finance 5⅛ 97 | 3/82 | 927.2 | 92⅛ | 93⅛ | −1⅛ | 11.03 |
| Orient Leasing 5⅛ 98 | 6/83 | 2690 | 93½ | 94½ | −0½ | −3.86 |
| Secom 5 98 | 11/83 | 2920 | 122⅞ | 124⅛ | −0⅛ | −1.63 |
| Sumitomo Elec. 5½ 97 | 3/82 | 577.3 | 122⅞ | 114⅛ | −0⅛ | 3.83 |
| Sumitomo Met. 5⅛ 96 | 10/81 | 296.1 | 66½ | 67⅛ | −0½ | 33.39 |
| Yamaichi Sec. Co. 5 98 | 8/83 | 472 | 92⅞ | 94½ | −0⅛ | −0.15 |
| NEC Cpn. 3½ 93 SwFr | 6/83 | 978 | †153 | 155 | −1 | −2.00 |
| Sanyo Elec. 3½ 93 SwFr | 5/83 | 501 | †106⅜ | 108⅜ | −0⅛ | 16.80 |
| Konishiroku 6⅛ 88 DM | 6/82 | 816 | 114⅛ | 115⅞ | +0⅛ | 4.36 |
| Mitsubishi H. 6 89 DM | 2/82 | 263 | 103⅜ | 104⅞ | −0⅛ | 18.10 |
| Sum Realty 6⅛ 92 DM | 2/83 | 365 | 118 | 119 | +0⅛ | −3.83 |



EUROBOND TURNOVER
(nominal value in $m)

| | Cedel | Euro-clear |
|---|---|---|
| **U.S. $ bonds** | | |
| Last week...... | 6,395.4 | 9,978.5 |
| Previous week | 5,072.5 | 10,674.1 |
| **Other bonds** | | |
| Last week...... | 902.0 | 802.0 |
| Previous week | 1,354.2 | 1,700.5 |

* No information available—previous day's price.

† Only one market maker supplied a price.

STRAIGHT BONDS: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡ three-month; § above mean rate) for U.S. dollars. C.cpn=The current coupon. C.yld=The current yield.

CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Chg.day=Change on day. Cnv. date=First date for conversion into shares. Cnv.price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

The list shows the 200 latest international bonds for which an adequate secondary market exists. The prices over the past week were supplied by: Kredietbank NV; Credit Commercial de France; Credit Lyonnais; Commerzbank AG; Deutsche Bank AG; Westdeutsche Landesbank Girozentrale; Banque Generale du Luxembourg SA; Banque Internationale Luxembourg; Kredietbank Luxembourg; Algemene Bank Nederland NV; Pierson, Heldring and Pierson; Credit Suisse/Swiss Credit Bank; Union Bank of Switzerland; Akroyd and Smithers; Bank of Tokyo International; Chase Manhattan; Citicorp International Bank; Credit Commercial de France (Securities) London; Daiwa Europe NV; EBC; First Chicago; Goldman Sachs International Corporation; Hambros Bank; IBJ International; Kidder Peabody International; Merrill Lynch; Morgan Stanley International; Nomura International; Orion Royal Bank; Robert Fleming and Co.; Samuel Montagu and Co.; Scandinavian Bank; Societe Generale Strauss Turnbull; Sumitomo Finance International; S. G. Warburg and Co.; Wood Gundy.

Closing prices on August 26

# UK COMPANY NEWS

## Canal Randolph properties bid

BY WILLIAM HALL IN NEW YORK

Canal Randolph, the U.S. real estate company which was at the centre of a bitter proxy fight between U.S. and UK investors earlier this year, has received a bid for its seven commercial office properties which could be worth more than $100m.

Canal Randolph shares were delayed opening pending the announcement, but when the shares started trading the price jumped sharply on the news.

The seven office properties account for roughly half of Canal Randolph's business. The other major asset is the United Stockyards Corporation. Last May the company disclosed that it was planning to spin off this subsidiary to shareholders.

The majority of the shares in Canal Randolph are owned by two investment groups, which earlier this year were battling for control. The company is attractive because its assets are believed to be undervalued and some investors believe that it would be more valuable if the company was sold off piecemeal.

The company was for a long time controlled by a group of UK investors led by Sir Walter Salomon, chairman of Rea Brothers, the UK merchant bank. The UK group has some 28 per cent of the equity.

A second group, led by a New York investor, Mr Asher Edelman, has a similar sized stake.

Mr Raymond French, chief executive of Canal Randolph, said that senior management will begin studying the bid immediately. He said the proposal contains "certain contingencies which must be weighed."

## Munton Brothers in £1.55m cash call

Munton Brothers, the shirts and clothing manufacturer, is making a rights issue to raise around £1.55m after expenses.

The proceeds will be used to finance the purchase of a factory in Antrim and the cost of machinery and equipment for the factory amounting to £369,000; to repay £1m borrowings which were incurred when Munton acquired 29.5 per cent of John Beales Associated Company earlier this year; and to provide additional working capital.

Munton is to issue 4.71m new ordinary 10p shares on the basis of two new shares for every five ordinary held at 35p per share.

Taddale Investments, which is currently seeking a full listing for its shares via an introduction, has undertaken to subscribe in full for its rights in respect of its 20.4 per cent holding. The remainder of the issue has been underwritten by Henry Ansbacher & Co. Brokers to the issue are W. Greenwell & Co.

For the year ended April 30 1983). Munton—a supplier to Marks and Spencer—raised pre-tax profits from £431,636 to £615,101, on turnover of £11.69m (£10.64m). In the current year, the directors intend to maintain dividends totalling 3p on the increased capital.

An EGM to increase the authorised share capital will be held on September 19 and dealings in the new ordinary shares are expected to commence the following day.

## Johnson Matthey Bankers advances to record £24m

A record profit of £24.33m was achieved by Johnson Matthey Bankers in the year ended March 31 1983, showing growth of £7.68m over the previous year. The company is the banking, bullion dealing, commodity broking, and insurance broking subsidiary of Johnson Matthey Group.

In the parent bank, good results were achieved from bullion dealing, in spite of relatively quiet conditions in world markets. Record earnings were gained from foreign exchange dealing, and excellent progress and earnings continued to be made by the general banking division.

The UK metal-trading subsidiary performed well in relatively inactive markets, and the overseas bullion dealing subsidiary in Hong Kong achieved another good result, while that in New York recorded remarkable earnings.

The newly-acquired insurance broking group made a better than expected contribution which augurs well for the future of this sector of this banking group's operations.

Towards the end of the year the capital was increased to £50m by the issue to the parent company of 2.85m shares in consideration of the purchase of a subsidiary, and 7.15m shares through a scrip issue. At the year-end shareholders' funds stood at over £93m.

### BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetable.

TODAY

Interims: Dufay Bitumastic, Francis Parker, Ladbroke, Weir.

FUTURE DATES

Interims—

| | |
|---|---|
| Arrow Chemicals | Sept 1 |
| Brammall (C. D.) | Sept 12 |
| Brixton Estate | Sept 13 |
| General Mining Union Corpn. | Sept 15 |
| Inchcape | Sept 27 |
| Jebsens Drilling | Sept 7 |
| London United Investments | Sept 14 |
| Macallan-Glenlivet | †Sept 30 |
| Mellerware International | Sept 2 |
| Morrison (William) Supermkts. | Sept 22 |
| Nurdin and Peacock | Sept 6 |
| Stanley (A. G.) | Aug 31 |
| Stewart Wrightson | Sept 6 |
| Westwood Dawes | Sept 2 |

Finals—

| | |
|---|---|
| Heath (Samuel) | Sept 5 |
| Second Alliance Trust | Sept 9 |

† Amended.

## Rotaprint looks for midway gain

IT WAS unlikely that for the half year to October 1 there would be better than a break-even situation at Rotaprint, Mr D. W. T. Angwin, the chairman, told the annual meeting. For the corresponding period last year, there was a pre-tax loss of £35,000 and an attributable deficit of £183,000.

The chairman said that the historical pattern of trading was that the bulk of the annual profits were earned in the second six months and this year would be no exception. In the 12 months ended April 2 1983, the company—a maker of printing equipment, swung round from a £919,000 loss to a pre-tax profit of £401,000.

Until the half year results were known, the directors did not feel able to authorise payment of preference dividends on either class of share. They would however, consider the matter again in November 1983, the chairman added.

Dividends on both classes of shares are cumulative and shareholders retain their entitlement to unpaid dividends.

During the first half of the current year, considerable time, effort and cost had been expended on development of the product range of supplies, reprographic equipment and offset presses.

New presses and reprographic equipment would be launched in the UK later this year reflecting the company's policy of continuing development. These would include a continuous stationery machine, already selling well in the U.S., for which it was specifically developed. Mr Angwin said that sales there were contributing to the welcome return to profitability

## Takeover Panel to look into complaint against BPCC

THE TAKEOVER PANEL intends to investigate a complaint that Mr Robert Maxwell's British Printing and Communications Corporation made false claims in his fiercely contested £17m bid for John Waddington, the Leeds-based games and packaging group, best known for the board game Monopoly and playing cards.

The investigation arises out of a complaint from Mrs Jane Whatley, a Waddington shareholder, that she had been telephoned last Thursday evening by a man claiming to represent BPCC. The man is alleged to have said that BPCC then controlled more than 49 per cent of Waddington's shares.

In fact, BPCC has never officially claimed to have controlled more than 47.3 per cent of Waddington shares. At the end of last week, after several shareholders had withdrawn acceptance of the BPCC offer, this control had dropped back, perhaps to below 43 per cent.

The shareholder complaint was passed on to the Takeover Panel by Kleinwort Benson, Waddington's financial advisor. Mr John Hignett, director general of the Panel, said on Friday that he was taking the complaint "seriously."

If the claim were proven to be true, then BPCC would have been in breach of Rule 24 of the City Takeover Code, which sets out the rules defining what a company can or cannot say about acceptances while a bid is in progress.

After an initial three-day extension of the bid, BPCC said on Friday that its share offer for Waddington—13 BPCC shares for every five Waddington shares—will be extended until Wednesday, September 7.

## Lennons still improving

THE CONTINUING implementation of the policies to improve profitability at Lennons Group was having a beneficial effect on performance and progress was being maintained, Mr D. P. Lennon, the chairman, said at the annual meeting.

The company expected to have the first phase of the integrated warehousing and distribution system operating in October, in time for Christmas trading. This should not only result in better service to its stores but also further reduce overall stock levels, said Mr Lennon.

Strenuous efforts continued to be made to better the performance of the wines and spirits subsidiary and some definite progress was being made, although the chairman reiterated that the wines and spirits trade in general was far from easy at the moment.

The new Garston supermarket, opened on the first day of the current financial year, was performing well and living up to expectations, Mr Lennon reported.

## Payment per patient in dental scheme

BY GARETH GRIFFITHS

A FUNDAMENTAL change in the way the UK funds its dental services could emerge from a pilot project to be launched next year by the Department of Health and Social Security.

The scheme involves paying the dentist for National Health Service work on a per capita basis for the list of patients. At present payment is for each item of service.

The pilot scheme would cover only children in selected areas and last initially for two and a half years. If successful it would gradually expand to cover the entire population.

It does not however mean that dental charges would be scrapped.

Such a pilot scheme for children is in line with the recommendations of the Royal Commission on the NHS in 1979. Its implementation would start to bring dentists in line with the payment methods used for doctors in general practice.

The NHS spent £612m on dental services in 1982-83 with £181m income from charges for treatment. For 1983-84 the estimated cost will be £644m with £188m income expected from dental charges.

In the past charges have been used as a way of rationing demand because Britain's dental health was so poor and there were relatively few dentists. Governments were afraid that unlimited access, as with GPs, on a per capita system of payment would lead to a demand which the dental services could not meet.

Mr Kenneth Clarke, the Minister for Health, told the Commons on March 30 last year, that the reason for dental charges was not logical but historical. "The key point is that the charges raise a substantial sum of money, without excessive public reaction that can then be diverted into the expansion of the NHS," he said.

The DHSS is examining the way Family Practitioner Committee services, such as dentistry, optical and general medical services, are run. A report is expected this autumn, and so far the only indications are that the idea of cash limits on these services has been ruled out. Hospital services are cash limited already.

The DHSS and the British Dental Association feel that the experiment on funding can start because of two important trends in dental care. First, the nation's teeth are improving with the switch to fluoride toothpaste. The improvement is particularly marked for children born in the last decade.

Second, the number of dentists has increased. There are around 15,000 dentists undertaking NHS work and the 1982 figure was 12 per cent up on 1978.

## FT Share Information

The following securities have been added to the Share Information Service.

Bensons Crisps (Foods)
Bestwood (Industrials)
Blue Bird Confectionery (Foods)
Boase Massimi Pollitt (Paper, Printing)
Bryant (Derek) (Insurances)
CPU Computers (Electricals)
Coopers Resources (Mines—Australian)
Don Bros. Buist (Textiles)
Emperor Mines (Mines—Australian)
Hewden-Stuart 10pcConv.Un.Ln. (Buildings)
MMT Computing (Industrials)
Sonesson (Wilh.) (Industrials)

## Seconds Out expands

BY ANTHONY MORETON, TEXTILES CORRESPONDENT

SECONDS OUT, a chain of shops selling "seconds" clothes, is to open four more stores by the end of the year bringing its total, all in southern England, to 20. Mr David Bernard, chairman of the Exmouth-based group, said yesterday they would be in Godalming, Bridgwater, Cheltenham and Bristol.

Seconds is a rising market. Mr Bernard expects his turnover to reach £6m this year. Nottingham Manufacturing and Corah are among companies attracted to this market.

Nottingham Manufacturing and Corah are large suppliers to Marks & Spencer and use their own stores to sell clothes Marks rejects. Nottingham Manufacturing entered the business two years ago with a chain called Thrifty. It has about 12 shops, in the North and Midlands Corah has only two shops, trading as Harcourt in this market.

Seconds Out, which started operations six years ago, does not confine itself to one supplier and obtains goods from companies such as Pringle, Berketex and Jaeger in women's clothes and Dunlop and Lyle & Scott in men's.

Mr Bernard said: "Probably three-quarters of our stocks might have been destined for M & S but we ensure we have a good supply from other sources. We try to find goods which are of a high quality and not all our clothes will be seconds."

It is common practice for producers to sell goods a buyer has rejected. Most clothing factories have in-house shops. Sometimes these are restricted to employees, at others they are open to the public. Always in such sales the buyer's label is removed.

Nottingham Manufacturing, based in Mansfield, is a company with which communication is difficult. What percentage of clothes it sells through Thrifty is seconds is not known, therefore.

The company is a major supplier to M and S. It does not say what proportion goes to this group but the share is thought to be more than two-thirds. The company is unlikely to prejudice its relationship.

**LADBROKE INDEX**
717-724 (−1)
based on FT Index
Tel: 01-493 5261





### BASE LENDING RATES

| | | | |
|---|---|---|---|
| A.B.N. Bank | 9½% | ■ Hambros Bank | 9½% |
| Al Baraka International | 9½% | Heritable & Gen. Trust | 9½% |
| Allied Irish Bank | 9½% | ■ Hill Samuel | § 9½% |
| Amro Bank | 9½% | C. Hoare & Co. | † 9½% |
| Henry Ansbacher | 9½% | Hongkong & Shanghai | 9½% |
| Arbuthnot Latham | 9½% | Kingsnorth Trust Ltd. | 11 % |
| Armco Trust Ltd. | 9½% | Knowsley & Co. Ltd. | 10 % |
| Associates Cap. Corp. | 9½% | Lloyds Bank | 9½% |
| Banco de Bilbao | 9½% | Mallinhall Limited | 9½% |
| Bank Hapoalim BM | 9½% | Edward Manson & Co. | 10½% |
| BCCI | 9½% | Midland Bank | 9½% |
| Bank of Ireland | 9½% | ■ Morgan Grenfell | 9½% |
| Bank Leumi (UK) plc | 9½% | National Bk. of Kuwait | 9½% |
| Bank of Cyprus | 9½% | National Girobank | 9½% |
| Bank of Scotland | Ω 9½% | National Westminster | 9½% |
| Banque Belge Ltd. | 9½% | Norwich Gen. Tst. | 9½% |
| Banque du Rhone | 10½% | P. S. Refson & Co. | 9½% |
| Barclays Bank | 9½% | Roxburghe Guarantee | 10 % |
| Beneficial Trust Ltd. | 10½% | Royal Trust Co. Canada | 9½% |
| Bremar Holdings Ltd. | 9½% | Standard Chartered | ‖ 9½% |
| Brit. Bank of Mid. East | 9½% | Trade Dev. Bank | 9½% |
| ■ Brown Shipley | 10 % | TCB | 9½% |
| CL Bank Nederland | 9½% | Trustee Savings Bank | 9½% |
| Canada Perm't Trust | 10½% | United Bank of Kuwait | 9½% |
| Castle Court Trust Ltd. | 10 % | United Mizrahi Bank | 9½% |
| Cayzer Ltd. | 9½% | Volkskas Intnl. Ltd. | 9½% |
| Cedar Holdings | 10 % | Westpac Banking Corp. | 9½% |
| ■ Charterhouse Japhet | 9½% | Whiteaway Laidlaw | 10 % |
| Choulartons | 10½% | Williams & Glyn's | 9½% |
| Citibank Savings | ¶10½% | Wintrust Secs. Ltd. | 9½% |
| Clydesdale Bank | 9½% | Yorkshire Bank | 9½% |
| C. E. Coates | 10 % | | |
| Comm. Bk. of N. East | 9½% | | |
| Consolidated Credits | 9½% | | |
| Co-operative Bank | * 9½% | | |
| The Cyprus Popular Bk. | 9½% | | |
| Duncan Lawrie | 9½% | | |
| E. T. Trust | 10 % | | |
| Exeter Trust Ltd. | 10½% | | |
| First Nat. Fin. Corp. | 11½% | | |
| First Nat. Secs. Ltd. | 11½% | | |
| Robert Fraser | 10 % | | |
| Grindlays Bank | ‡ 9½% | | |
| ■ Guinness Mahon | 9½% | | |

■ Members of the Accepting Houses Committee.
* 7-day deposits 6%. 1-month 6.25%. Short-term £8,000/12-months 8.6%.
† 7-day deposits on sums of: under £10,000 6%, £10,000 up to £50,000 7%, £50,000 and over 8%.
‡ Call deposits £1,000 and over 6%.
‖ 21-day deposits over £7,000 7%.
§ Demand deposits 6%.
¶ Mortgage base rate.
Ω Money Market Cheque Account= 9.15%. Effective annual rate= 9.54%.





## RECENT ISSUES

### EQUITIES

| Issue price | Amount paid up | Latest Renunc. date | 1983 High | 1983 Low | Stock | Closing price | + or − | Net Div. | Times Covered | Gross Yield | P.E. Ratio |
|---|---|---|---|---|---|---|---|---|---|---|---|
| §115 | F.P. | 14/9 | 152 | 130 | ✠Aaronite Group | 147 | ...... | bd2.5 | 2.2 | 2.4 | 25.8 |
| §50 | F.P. | 4/8 | 127 | 98 | ✠Biomechanics I'tl0p | 100 | −2 | — | — | — | — |
| ¶200 | F.P. | 26/8 | 260 | 200 | DPCE Hldgs 5p. | 240 | ...... | b2.0 | 5.6 | 1.2 | 31.6 |
| ¶¶ | F.P. | — | 325 | 160 | Dollonds Photo 12½p | 280 | −5 | — | — | — | — |
| §100 | F.P. | 5/8 | 120 | 110 | ✠Gee (C.) 10p | 119 | ...... | u2.1 | 2.5 | 2.5 | 22.6 |
| ¶190 | F.P. | 12/8 | 204 | 180 | Gent (S.R.) 10p | 184 | ...... | b3.0 | 3.1 | 2.3 | 15.1 |
| §17½ | F.P. | 12/8 | 24 | 20 | ✠GilbertH'useInvs10p | 21 | ...... | — | — | — | — |
| 375 | F.P. | 5/8 | 372 | 342 | Henderson Admin. | 342 | ...... | u8.0 | 2.9 | 2.5 | 18.4 |
| ¶125 | F.P. | — | 168 | 154 | Int. Signal & Control A | 158 | ...... | uQ2c | 4.0 | 0.9 | 28.3 |
| §190 | F.P. | 15/8 | 252 | 185 | ✠Invent Energy | 232 | +2 | — | — | — | — |
| §115 | F.P. | 5/8 | 123 | 106 | ✠KLP Group 5p | 116 | ...... | g1.6 | 2.7 | 2.0 | 26.3 |
| = | F.P. | 5/9 | 31 | 25 | ✠Metal Sciences 2½p | 27 | ...... | — | — | — | — |
| 95 | F.P. | 12/8 | 94 | 88 | Park Food 10p | 90 | ...... | u3.0 | 2.0 | 4.8 | 15.3 |
| §210 | F.P. | 9/9 | 214 | 195 | Peel Hldgs | 198 | ...... | bd7.35 | 1.2 | 5.2 | 20.6 |
| §111 | F.P. | 26/8 | 254 | 165 | ✠P'lyt'chnicM'rine5p | 254 | +7 | ud2.0 | 1.9 | 1.1 | — |
| §25 | F.P. | 9/9 | 30 | 26 | ✠Promotions H'se 5p | 30 | ...... | b0.7 | 1.0 | 3.3 | 21.4 |
| §205 | F.P. | 4/8 | 254 | 195 | ✠Rayford Supreme | 250 | ...... | b4.9 | 7.0 | 2.8 | 12.7 |
| §148 | F.P. | — | 190 | 170 | ✠Real Time C'trol 5p | 170 | ...... | u2.0 | 3.0 | 1.7 | 28.2 |
| 85 | F.P. | 16/9 | 120 | 97 | ✠SOUSA Inc. $0.01 | 112 | ...... | b0.0bc | 4.4 | 0.9 | 25.5 |
| §85 | F.P. | 19/8 | 93 | 89 | ✠Sthn. Bus. Leas.10p | 89 | ...... | bg1.75 | 3.2 | 2.8 | 15.9 |
| 10 | F.P. | 24/6 | 18½ | 14 | ✠Sunleigh Elect. 10p | 18½ | ...... | g0.35 | 1.8 | 2.7 | 29.7 |
| 100 | F.P. | 2/9 | 85 | 78 | ✠Tech. for Bus. 10p | 78 | ...... | b4.2 | 6.0 | 7.7 | 18.9 |
| §83 | F.P. | 13/9 | 90 | 85 | ✠Thermal Scientific | 88 | ...... | b2.3 | 2.8 | 3.7 | 15.8 |
| ¶¶ | F.P. | 23/9 | 18 | 17 | Yorks&Lancs Inv. W's | 17 | ...... | — | — | — | — |

### FIXED INTEREST STOCKS

| Issue price £ | Amount paid up | Latest Renunc. date | 1983 High | 1983 Low | Stock | Closing price | + or − |
|---|---|---|---|---|---|---|---|
| 92.95 | £25 | 29/11 | 26½ | 22 | Allied-Lyons 11¾% Deb 2009 | 24¼ | ...... |
| ‡ | F.P. | 18/7 | 100½ | 93 | Allied Plant 10% Cnv Uns Ln 85/86 | 92 | +2 |
| ¶¶ | F.P. | — | 129 | 111 | Atlantic Met'n (UK) 12% UL 91/97 | 109 | +2 |
| — | £20 | 28/10 | 23¾ | 18 | Bristol 11½% Red. 2008 | 19 | −¼ |
| — | F.P. | 26/8 | 101½ | 95 | Brixton Est 11¾% Deb 2018 | 98½ | ...... |
| 96.95 | £25 | 21/10 | 25 | 22 | B.O.C. Economic 12¼% Gtd. Ln. 2012 | [illegible] | [illegible] |
| 99.75 | £20 | 28/10 | [illegible] | [illegible] | Ciena Overseas Finance 12½ Ln. 2003 | [illegible] | [illegible] |
| 99.75 | £25 | 26/8 | [illegible] | [illegible] | Coalesittal 10½ Deb 2013 | [illegible] | [illegible] |
| ‖ | F.P. | 22/8 | 109 | 104 | Evode 8% Cnv Uns Ln 2003/08 | [illegible] | [illegible] |
| ¶¶ | F.P. | 12/7 | [illegible] | [illegible] | Extel 10¼% Cnv Uns Ln | [illegible] | [illegible] |
| 100p | F.P. | 9/9 | [illegible] | [illegible] | FKI 7% Red Cnv Pref | [illegible] | [illegible] |
| ‖ | F.P. | — | [illegible] | [illegible] | Fleming Am. Inv Tst 7% Cnv Uns Ln 98 | [illegible] | [illegible] |
| ‡‡ | F.P. | — | [illegible] | [illegible] | Fuller, Smith & Turner 9% 2nd Cm. Pref | [illegible] | [illegible] |
| ‡ | F.P. | 11/8 | [illegible] | [illegible] | Hewden-Stuart 10% Cnv Uns Ln | [illegible] | [illegible] |
| §100p | 25p | 9/12 | [illegible] | [illegible] | LASMO 9½% Cum Red Pref | [illegible] | [illegible] |
| — | — | — | [illegible] | [illegible] | Nationwide 10% Bds | [illegible] | [illegible] |
| — | — | — | [illegible] | [illegible] | Do 10% Bds | [illegible] | [illegible] |
| — | — | — | [illegible] | [illegible] | Do 11¼% Bds | [illegible] | [illegible] |
| §100 | F.P. | — | [illegible] | [illegible] | Oldham 11¾% Red 2010 | [illegible] | [illegible] |
| §98.575 | £25 | 31/8 | 25 | 21 | Trafford Park Est. 11¾% 2007/11 | [illegible] | [illegible] |
| 97.941 | £25 | 14/10 | 25½ | [illegible] | Transport Dev 12¼% Uns Ln 2008 | [illegible] | [illegible] |
| 99.696 | £25 | 20/9 | 25¼ | [illegible] | Watts(W. H.)Trum'ns 12% Red. Deb. 2008 | [illegible] | [illegible] |
| 103.5 | £50 | 20/10 | [illegible] | [illegible] | Weir 10% Red Cum Pref | [illegible] | [illegible] |
| 99.125 | £25 | 26/10 | 25 | [illegible] | Whitbread 12¾% Deb 2008 | [illegible] | [illegible] |
| ¶¶ | F.P. | 23/9 | 103½ | 100 | Yorks & Lancs Inv 12½% Deb 2003 | [illegible] | [illegible] |

### "RIGHTS" OFFERS

| Issue price p | Amount paid up | Latest Renunc. date | 1983 High | 1983 Low | Stock | Closing price p | + or − |
|---|---|---|---|---|---|---|---|
| 12 | F.P. | — | 9/9 | 25 | Abaco Invs. 5p | 18 | [illegible] |
| 35 | F.P. | — | 9/9 | 86 | Assoc. British Eng'g 12½p | 35 | +3 |
| 310 | F.P. | — | 2/9 | 377 | Beecham | 345 | +5 |
| 63 | F.P. | 1/9 | 16/9 | 115 | Brengreen 10p | 103 | +1 |
| 48 | Nil | — | — | [illegible] | [illegible] | [illegible] | [illegible] |
| 65 | Nil | — | — | [illegible] | Cap. Tops? | [illegible] | [illegible] |
| 48 | Nil | — | — | [illegible] | Chamberlain Phipps | [illegible] | [illegible] |
| 25 | F.P. | — | 14/9 | 30½ | Crowther (J.) | 30 | [illegible] |
| 175 | F.P. | — | 18/9 | [illegible] | Dixons Grp 10p | 160 | [illegible] |
| 200 | F.P. | — | 30/9 | 243½ | Emess Lighting | 240 | [illegible] |
| 145 | F.P. | 17/8 | 30/9 | 170 | Fitzroy Burn | 163 | [illegible] |
| 10 | F.P. | — | 9/9 | 15 | First Charlotte Assets Tst 5p | [illegible] | [illegible] |
| 34 | Nil | — | 26/9 | 35 | First Talisman Inv. 20p | [illegible] | [illegible] |
| 78 | F.P. | 6/8 | 16/9 | 117 | Fleet Holdings 20p | 117 | +8 |
| 40 | Nil | — | 14/10 | 20pm | Group Lotus Car 10p | 13pm | [illegible] |
| 120 | F.P. | — | 6/9 | 131 | I.R.A.T. Group 10p | 122 | [illegible] |
| 350 | Nil | — | 28/9 | 108pm | Midland Bank | 80pm | [illegible] |
| 80 | Nil | — | — | 5ppm | Noble Group Invs. | 3ppm | [illegible] |
| 20p | Nil | — | — | 6pm | Parkdale 10p | 4pm | [illegible] |
| 10 | Nil | — | — | 1½pm | Sheraton Secs. 10p | 1½pm | [illegible] |
| 95 | Nil | — | 14/10 | 45pm | Steinberg 10p | 32pm | +1 |
| 175 | F.P. | — | 20/9 | 240 | Unitech 10p | 220 | +5 |
| 100 | Nil | — | 16/9 | 125pm | United Parcels 10p | 115pm | [illegible] |

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. g Assumed dividend and yield. u Forecast dividend cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1983. H Dividend and yield based on prospectus or other official estimates for 1983-84. Q Gross. ‡ Cover allows for conversion of shares not now ranking for dividend or ranking only for restricted dividends. ● Figures or report awaited. § Placing price. p Pence unless otherwise indicated. ¶ Issued by tender. ‖ Offered to holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or take-over. ‖‖ Introduction. □ Issued to former preference holders. ■ Allotment letters (or fully-paid). ● Provisional or partly-paid allotment letters. ✠ With warrants. † Effective issue price after scrip. † Formerly dealt in under special rule.

## PENDING DIVIDENDS

Dates when some of the more important company dividend statements may be expected in the next few weeks are given in the following table. The dates shown are those of last year's announcements except where the forthcoming board meetings (indicated thus*) have been officially notified. Dividends to be declared will not necessarily be at the amounts in the column headed "Announcement last year."

| | Date | Announcement last year |
|---|---|---|
| *Associated Dairies | Aug 31 | Final 1.75 |
| Automotive Products | Aug 13 | Interim 0.5 |
| *BAT Inds | Sept 21 | Interim 2.5 |
| *BICC | Sept 12 | Interim 3.5 |
| BTR | Sept 13 | Interim 4.75 |
| *Babcock Intl | Aug 31 | Interim 3.4 |
| *Bank of Scotland | Sept 20 | Interim 10.5 |
| *Barratt Devs | Sept 20 | Final 8.85 |
| Barrow Hepburn | Sept 20 | Interim 0.8 |
| Bell (A.) | Oct 6 | Interim 3.5 |
| Bilton (P.) | Sept 27 | Final 3.8 |
| Blackwood Hodge | Sept 9 | Interim 0.5 |
| Booker McConnell | Sept 16 | Interim 1.5 |
| *Bowater | Sept 13 | Interim 4.25 |
| Bowthorpe | Oct 5 | Interim 1.673 |
| British Aerospace | Sept 21 | Interim 3.25 |
| British Electric Traction | Sept 2 | Final 8.137 |
| *British Petroleum | Sept 1 | Interim 6.25 |
| *Brixton Ests | Sept 13 | Interim 1.7 |
| *Bunzl | Sept 8 | Interim 4.5 |
| Burmah Oil | Sept 15 | Interim 1.5 |
| *Cadbury Schweppes | Sept 1 | Interim 1.4 |
| Cape Industs | Oct 5 | Interim 1.7 |
| *Cons Gold Fields | Sept 13 | Final 16.0 |
| *Cons Plantations | Sept 2 | Final 7.3 |
| Costain | Sept 7 | Interim 5.0 |
| Croda Intl | Sept 8 | Interim 3.0 |
| *DRG | Sept 20 | Interim 3.0 |
| Dalgety | Sept 20 | Final 11.0 |
| Debenhams | Oct 8 | Interim 2.041 |
| *Delta | Sept 23 | Interim 2.6 |
| Dunlop | Sept 23 | Interim 2.0 |
| Eagle Star | Sept 15 | Interim 7.0 |
| European Ferries | Sept 10 | Interim 1.0 |
| *Exco | Sept 6 | Interim 2.5 |
| Expamet Int | Sept 15 | Interim 2.0 |
| Finlay (J.) | Oct 7 | Interim 2 |
| Fisons | Sept 20 | Interim 5.0 |
| Freemans | Oct 4 | Interim 1.9 |
| General Mining | Sept 2 | Interim 55c |
| Grattan | Oct 8 | Interim 1 |
| *GRE | Aug 31 | Interim 7.0 |
| Habitat Mothercare | Sept 6 | Final 2.8 |
| Hall Eng | Sept 23 | Interim 3.41 |
| Hambro Life | Oct 8 | Interim 4.025 |
| London Merchant Securities | Sept 14 | Final 0.87 |
| Marchwiel | Sept 1 | Interim 2.7 |
| Menzies (J.) | Sept 23 | Interim 1.6 |
| Mills and Allen Intl | Sept 22 | Final 16.0 |
| Minet | Oct 7 | Interim 2.46 |
| *Morgan Crucible | Sept 1 | Interim 3.5 |
| NEI | Sept 21 | Interim 1.5 |

* Board meeting intimated. † Rights issue since made. ‡ Tax free. § Scrip issue since made. ¶ Forecast.

# NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

| 12 Month High | 12 Month Low | Stock | Div. | Yld. | P/E | Sls 100s | High | Low | Close Quote | Ch'ge Prev. Close |
|---|---|---|---|---|---|---|---|---|---|---|
| 17¾ | 6⅞ | AAR | .44 | 2.9 | 21 | 39 | 15¼ | 15 | 15¼ | |
| 37¾ | 29½ | ACF | 1.40 | 4.3 | 39 | x48 | 33 | 32½ | 32¾ | |
| 20 | 14 | AMF | .50 | 3.1 | | 136 | 16⅛ | 15⅝ | 15⅞ | + ⅛ |
| 39½ | 13¼ | AMR Cp | | | 43 | 2598 | 29¾ | 28⅞ | 29¼ | + ⅜ |
| 18½ | 14⅛ | AMR | pf2.18 | 12. | | 34 | 18⅛ | 18⅛ | 18⅛ | |
| 39½ | 24⅞ | AMR | pf2.13 | 6.7 | | 33 | 31¾ | 31½ | 31¾ | − ⅛ |
| 14⅞ | 2½ | APL | | | | 44 | 13⅛ | 13 | 13 | − ⅛ |
| 55 | 31½ | ARA | 2.05 | 4.4 | 12 | 121 | 47¼ | 46 | 46½ | + ¼ |
| 79⅞ | 37⅞ | ASA | 3a | 4.3 | | 544 | 69½ | 68½ | 69⅞ | + ⅜ |
| 33¼ | 9¼ | AVX | s .32 | 1.3 | 60 | 62 | 24⅞ | 24 | 24¼ | + ½ |
| 50¾ | 32½ | AbtLab | 1 | 2.1 | 18 | 534 | 46⅞ | 46⅛ | 46⅜ | − ⅛ |
| 30⅛ | 24½ | AccoW | n .50 | 2.1 | 18 | 23 | 24½ | d24 | 24 | − ⅝ |
| 27½ | 16¾ | AcmeC | .40 | 1.8 | | 10 | 22⅛ | 21¾ | 22⅛ | + ⅛ |
| 14⅞ | 6⅞ | AcmeE | .32b | 2.7 | 297 | 1 | 11⅞ | 11⅞ | 11⅞ | |
| 21½ | 5⅞ | AdmDg | .04 | .2 | 15 | 37 | 18⅜ | 18 | 18 | − ½ |
| 17⅞ | 13⅞ | AdaEx | 1.73e | 10. | | 39 | 17¼ | 17 | 17 | |
| 19⅞ | 6⅞ | AdmMl | .24 | 1.5 | 8 | 70 | 17 | 16½ | 16½ | − ⅜ |
| 28 | 12⅛ | Adwest | a.16 | .6 | 9 | 64 | 24¼ | 24 | 24⅛ | + ½ |
| 34⅞ | 8⅞ | AMD | s | | 67 | 3067 | 30¼ | 28⅞ | 30⅛ | + 1⅞ |
| 44⅛ | 32⅞ | AetnLf | 2.64 | 7.4 | 7 | 844 | 36 | 35½ | 35⅝ | − ⅜ |
| 65 | 52½ | AetL | pf4.94e | 8.6 | | 275 | 57½ | 57¼ | 57½ | |
| 40½ | 12⅞ | Ahmns | .60 | 2.2 | 15 | 486 | 27¼ | 26⅞ | 27 | − ¼ |
| 7⅛ | 2⅝ | Aileen | | | | 114 | 6¼ | 6 | 6⅛ | − ⅛ |
| 50⅞ | 26⅞ | AirPrd | 1 | 2.1 | 13 | 328 | 47⅞ | 47⅛ | 47½ | + ⅛ |
| 27¼ | 17 | AirbFrt | .60 | 2.9 | 21 | 4 | 20⅞ | 20¾ | 20⅞ | + ⅛ |
| 3⅞ | 2 | AiMoa | n | | 21 | 85 | 3⅛ | 3 | 3⅛ | + ⅛ |
| 33½ | 28¼ | AlaP | pfA3.92 | 13. | | 13 | 31¼ | 31 | 31¼ | + ⅛ |
| 7⅞ | 6½ | AlaP | dpf.87 | 12. | | 12 | 7⅛ | 7 | 7⅛ | |
| 74½ | 60½ | AlaP | pf 9 | 13. | | z300 | 68½ | 68½ | 68½ | −1 |
| 81½ | 62 | AlaP | pf9.44 | 13. | | z5100 | 74¼ | 74¼ | 74¼ | +1¼ |
| 23 | 14 | Alagsco | 1.76 | 7.7 | 7 | 43 | 23 | 22⅝ | 23 | + ¼ |
| 18⅞ | 6 | AlskAir | .12 | .8 | 11 | 321 | 14⅞ | 14½ | 14½ | − ⅛ |
| 24½ | 12⅞ | Alberto | .54 | 3.5 | 16 | 11 | 15⅛ | 15 | 15⅛ | + ⅛ |
| [illegible] | | | | | | | | | | |



Continued on Page 19

# AMERICAN STOCK EXCHANGE COMPOSITE CLOSING PRICES

| 12 Month High | 12 Month Low | Stock | Div. | Yld. | P/E | Sls 100s | High | Low | Close Quote | Ch'ge Prev. Close |
|---|---|---|---|---|---|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

Continued on Page 20

# NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

Continued from Page 18

| 12 Month High | 12 Month Low | Stock | Div. | Yld. | P/E | Sls 100s | High | Low | Close Quote | Ch'ge Prev. Close |
|---|---|---|---|---|---|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 57⅞ | 37¼ | WinDx | 2.58 | 4.7 | 12 | 52 | 55¼ | 54⅝ | 54⅝ | −⅞ |
| 23⅞ | 7⅜ | Winnbg | 10e | 6 | 31 | 212 | 17⅜ | 16½ | 17 | −⅜ |
| 12⅞ | 3½ | WinterJ | | | 34 | 2 | 10 | 10 | 10 | |
| 25½ | 20 | WiscEP | 2.10 | 8.8 | 7 | 85 | 23⅞ | 23¾ | 23¾ | −⅛ |
| 85 | 70¼ | WisE | pf8.90 | 12. | | z20 | 75½ | 75½ | 75½ | |
| 73½ | 60 | WisE | pf7.75 | 11 | | z20 | 67½ | 67½ | 67½ | |
| 26 | 21 | WisG | pf2.55 | 10. | | 1 | 24⅝ | 24⅝ | 24⅝ | |
| 29⅛ | 22¼ | WiscPL | 2.40 | 9.3 | 7 | 50 | 25¾ | 24¾ | 25¾ | +⅛ |
| 27⅞ | 21½ | WiscPS | 2.32 | 9.1 | 8 | 95 | 25⅞ | 25½ | 25⅝ | |
| 32⅞ | 15½ | Witco | s1.32 | 4.3 | 11 | 229 | 30¾ | 30 | 30¾ | +1 |
| 29¼ | 13¼ | WolvrW | .48 | 2.6 | 9 | 79 | 18¼ | 17¾ | 18¼ | +⅜ |
| 43⅞ | 20⅞ | Womet | s.44 | 1.1 | 26 | 1000 | 41½ | 40½ | 40⅞ | −⅞ |

Continued on Page 22

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a—dividend also extra(s). b—annual rate of dividend plus stock dividend. c—liquidating dividend. cld—called. d—new yearly low. e—dividend declared or paid in preceding 12 months. g—dividend in Canadian funds, subject to 15% non-residence tax. i—dividend declared after split-up or stock dividend. j—dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k—dividend declared or paid this year, an accumulative issue with dividends in arrears. n—new issue in the past 52 weeks. The high-low range begins with the start of trading. nd—next day delivery. P/E—price-earnings ratio. r—dividend declared or paid in preceding 12 months, plus stock dividend. s—stock split. Dividends begins with date of split. sls—sales. t—dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u—new yearly high. v—trading halted. vi—in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd—when distributed. wi—when issued. ww—with warrants. x—ex-dividend or ex-rights. xdis—ex-distribution. xw—without warrants. y—ex-dividend and sales in full. yld—yield. z—sales in full.

# WORLD STOCK MARKETS

## WALL STREET

# Correction phase takes hold

SLUGGISH form emerged on Wall Street yesterday as investors backed away from both fixed interest and stock markets, *writes Terry Byland in New York*. Retail interest in bonds was thin and the professional market traders, whose optimism over interest rates was so abruptly quenched last week, also had to contend with Friday's news of a fall in M-1 money supply far smaller than market forecasts. The key long bond, sharply down in late trading on Friday, gave further ground yesterday.

The stock market traded sharply lower in the first hour but the 1,181 mark on the Dow Jones industrial average again served as a resistance level. Leading stocks later rallied slowly and by the end of the session the Dow was a net 2.04 points up at 1,194.11.

But turnover was the lowest since last New Year's Eve. Only 53.2m shares changed hands and the broad range of the market showed share losses, at 903, easily exceeding gains of 609.

Now that it seems clear that the Federal Reserve Board is unlikely to instigate any further falls in interest rates in the short term, the stock market has reverted to its "correction mood," with commentators competing to forecast the bottom of the correction. Belief in a renewal of the bull phase in the near future has remained undimmed, however.

Small losses were scattered among the major stocks. IBM, still widely regarded as the likely winner in both the mainframe and personal computer markets, gained $¼ to close at $119.

Honeywell at $116¾ managed to gain $1½ while in the active home computer sector, both Coleco at $37⅞ and Commodore at $43½ were a dollar to the good. With IBM about to introduce its new Peanut home computer, the U.S. investment media has been busy weighing the chances for the established winners in this fast-growing segment of the industry.

Motor shares were featured by Ford, $⅝ off at $54⅜ in heavy turnover as the market assessed the implications for earnings of the company's success in European markets.

Cincinnati Milacron, a major manufacturer of machine tools, put on $¼ to $28¼ in response to the news that machine tool industry orders rose by 19 per cent last month.

Some firm spots were to be found in steels after price rises from the major companies. Inland, recommended by brokerage analysts, put on $¾ to $29¾.

But oil shares continued to give up some of last week's gains, Exxon shedding $¼ to $37⅞ and Mobil $⅞ to $32⅛.

The credit markets traded nervously in the face of some small selling from the professional market. With Federal Funds only marginally lower at 9¼ per cent and September expected to bring a hefty weight of Treasury financing, traders were unwilling to take on any more stock in addition to the bonds bought over the previous fortnight.

Discounts on Treasury bills slipped, by about six basis points to 9.24 in the case of the three-month securities and two basis points to 9.48 in the case of the six-month.

Municipal bonds lost as much as one point while bracing themselves for a rush of around $1.4bn in new issues this week. Corporate bonds remained quiet but prices eased in line with the federal bond sector.

## TOKYO

# Selective buying by incentive

GROWING concern over higher U.S. interest rates and a weaker yen led to selective buying of incentive-backed and speculative issues in Tokyo yesterday and shares moved slightly higher, while trading on the bond market was extremely thin, *writes Shigeo Nishiwaki of Jiji Press*.

The Nikkei-Dow market average closed 13.93 points up at 9,172.54 on volume of 372.29m shares, which was limp for a closing day of the trading month.

Nevertheless, the volume was slightly up on the previous session as securities houses exerted greater sales efforts throughout the country. The market has in effect entered the month of September, because shares bought are delivered in four trading days' time.

Investors generally took a cautious view of the market's outlook because of fears of higher U.S. interest rates and the yen's slide to Y247 to the dollar. They were also discouraged by dwindling hopes for increased purchases by European investors early this week, as foreign activity was restricted by the bank holiday in Britain.

Among blue chips, NEC firmed Y20 to close at Y1,480, but some other issues eased on small-lot selling, with Sony losing Y70 to Y3,350, Matsushita Electric Y20 to Y1,580, Hitachi Y2 to Y865 and Toyota Motor Y20 to Y1,160.

Pharmaceutical issues found buyers across a broad front on expectation of new drug developments. But medium-capital drug issues such as Mochida and Kaken came on offer on news of poor earning results stemming from lower standard prices for drugs.

Banyu Pharmaceutical rose sharply by Y90 to Y1,490 on speculative buying following its capital tie-up with Merck of the U.S.

**London and Hong Kong were both closed for public holidays. Madrid as usual did not trade on a Monday.**

Aoki Construction advanced Y46 to Y693 on rumours of a gold dust find in Brazil. Citizen Watch climbed Y23 to Y635 and Rhythm Watch Y27 to Y597, on renewed speculation of a business link with an influential U.S. company.

Trading on the bond market dwindled further, largely because of the unclear outlook for U.S. interest rates. City, regional and trust banks all stopped selling bonds while agriculture and forestry-related institutions shied away from the market.

The yield on the benchmark 7.7 per cent long-term government bond, with a little more than six years remaining to maturity, remained almost unchanged at around 7.75 per cent. Leading brokerage houses are bullish about the market's prospects, saying that if the yield climbs two basis points to around 7.77 per cent, the bond will meet good demand, ruling out the possibility of a decline in the market.

## EUROPE

# Week starts dull and dispirited

THE RENEWED strength of the dollar, on the back of U.S. money supply disappointments, was identified by bourse brokers yesterday as the primary reason behind a dull and dispirited day as interest rate concerns came once more to the fore.

**Brussels** was additionally prone to jitters over the future of the governing Belgian coalition, rent by divisions on proposed tax concessions to stimulate the building industry. No clearer indications emerged, however, that the centre-right government which the market so favours was about to fall.

Holding companies were most affected, bringing Société Générale BFr 30 to BFr 1,870, Sofina BFr 70 to BFr 4,930 and Bruxelles Lambert BFr 35 to BFr 2,315.

Steels were depressed, with Cockerill Sambre off BFr 4 at BFr 163 and wire maker Bekaert BFr 100 weaker at BFr 3,000.

A firm **Amsterdam** opening gave way to widespread losses which rarely followed sectoral lines.

Of the major banks ABN suffered a Fl 3.50 fall to Fl 363.50 but Ned Mid put on Fl 1.30 to Fl 143.30, while demand for the internationals centred on Philips – up Fl 2.10 to Fl 45 – at the expense of others such as KLM, down Fl 2.20 to Fl 144. Elsewhere Fokker added a guilder to Fl 37.

Dutch bonds were steady but lethargically dealt. The pricing of an ABN seven-year, 9 per cent issue at 100.8 instead of the expected par was accepted with equanimity.

An extension of last week's **Frankfurt** decline left the Commerzbank index 11.6 lower at its midsession calculation of 915.9.

The release of optimistic projections for West German manufacturing by the IFO economic institute had little immediate impact, although in singling out car makers as particularly well placed for the second half of the year it may have contributed to making Daimler-Benz a firm spot, up 80 pfg at DM 563.80.

At the same time, Volkswagen dipped DM 5.20 to DM 212.50 and BMW DM 4.30 to DM 375.50.

Government bond prices lost as much as 80 basis points, affected not only by U.S. factors but by the July current account slide into a DM 3bn deficit announced last Thursday. The Bundesbank bought DM 80m in public paper.

A moderately active **Paris** session finished with a lower bias as Friday's profit-taking carried over. Foods were among the most active, with Beghin Say down FFr 13 to FFr 311 and Moët Hennessy FFr 36 to FFr 1,205 but Lesieur up FFr 27 to FFr 1,162.

A bank of France tender brought the sale of FFr 2.44bn in nine-month Treasury bills and a yield down to 12⅛ per cent from 12$^{11}/_{32}$.

Broadly lower **Zurich** showed Jacobs Suchard as the only leader with a gain of any substance. The confectioner ended SwFr 50 stronger at SwFr 5,775, in contrast to a loss of SwFr 40 for Nestlé at SwFr 3,940.

Banks and insurances also fared poorly, while domestic bonds were marked down significantly.

Uncertainty over the scope of Italian Government measures to curb public borrowing overshadowed **Milan**, where a broker noted that many participants had taken positions in expectation of a bullish month and were now acting to liquidate them.

Banca Commerciale shed L250 to L30,400 and insurer Generali L1,200 to L143,100, while among the industrials Fiat fell L46 to L3,189 and Snia Viscosa L45 to L1,200. Long-dated Treasury issues found buyers in an otherwise easier bond market.

As often occurs, Scandinavian markets proved more buoyant than the rest. **Stockholm** encountered lively dealings which took Ericsson SKr 25 higher to SKr 405, while **Copenhagen** featured Danske Sukkerlab with a DKr 27.40 rise to DKr 732 and **Oslo** accorded Norsk Hydro a NKr 18 improvement to NKr 540.

## AUSTRALIA

# Golds find reason for resilience

SMALL but consistent declines throughout the **Sydney** resource sector yesterday, attributed mainly to a lack of overseas involvement, were punctuated only by a good showing for some leading gold issues in the face of lower world bullion values.

Dealers pointed out that their latest earnings and production figures had been promising, thus allowing the stocks some resilience against the vagaries of precious metal prices.

Base metal producers were worst affected by the neglect from abroad. BHP came down 10 cents to A$11.25, Western Mining seven cents to A$4.93 and Bougainville Copper three cents to A$2.92.

Industrials were quiet, leaving the All Ordinaries index 1.1 off at 695.6.

## SINGAPORE

SPORADIC buying interest was finely balanced by profit-taking in **Singapore**, with advancing issues ahead of declines by a bare 100 to 98.

Banks were very thinly dealt but mixed industrials showed livelier features. Haw Par added 12 cents to S$2.63 while Straits Trading slipped 15 cents to S$5.85.

Faber Merlin, the day's most active with 1.2m shares changing hands, moved up three cents to S$2.71. Hong Leong Industries led the second section with a 35-cent jump to S$8.70.

## SOUTH AFRICA

LITTLE direction emerged for **Johannesburg** gold shares as the British bank holiday left volume at a trickle.

Foreign ownership of these shares, brokers' figures show, is down to some 37 per cent of total capitalisation on a steady decline from 42 per cent at the end of 1979. Nonetheless, much of the buying and selling impetus still appears to stem from financial centres abroad.

President Brand firmed 50 cents to R57, while in mining financials Gold Fields of SA put on the same amount to R151. Industrials held steady.

## CANADA

A WEAK **Toronto** opening was all but offset by the close in light volume. The resource and transport sectors attracted most of the selling.

Massey-Ferguson moved marginally higher on its sharply reduced second quarter loss. Most **Montreal** sectors hovered just above pre-weekend levels, with most of the losses among banks.

## CANADA

## DENMARK

## NETHERLANDS

## AUSTRALIA

## JAPAN (continued)

## FRANCE

## NORWAY

## SPAIN

## HONG KONG

## GERMANY

## SWEDEN

## SINGAPORE

## AUSTRIA

## SWITZERLAND

## BELGIUM/LUXEMBOURG

## ITALY

## SOUTH AFRICA

# Indices

## NEW YORK – DOW JONES

## STANDARD AND POORS

## N.Y.S.E. ALL COMMON

## MONTREAL

## TORONTO

# AMERICAN STOCK EXCHANGE CLOSING PRICES

Continued from Page 19

هكذا من الأصل

APPOINTMENTS

# Chief executive at James Neill

Mr Peter B. Bullock, managing director of Flymo and joint managing director of the Electrolux Group in the UK, is to become group chief executive of JAMES NEILL HOLDINGS on November 7. For the past four years Mr J. Hugh Neill has been the executive chairman of James Neill Holdings but as he is approaching the group's normal retirement age he will transfer his existing managerial responsibilities to Mr Bullock whilst continuing as chairman of the group.

★

Mr Elliot Harkness has been appointed head of business development within TSB SCOTLAND. Prior to this appointment he held the same position with South of Scotland TSB which has subsequently been merged with the three other Scottish TSB's to form TSB Scotland.

★

Mr Francois Guesde will become managing director of CITROEN CARS LIMITED on September 1. He replaces M. Gervais Lebagie who is leaving to become managing director of Citroen Switzerland. M Guesde was managing director of Citroen Holland.

★

Mr Brian William Ward has been appointed managing director of CATTLE'S HOLDINGS FINANCE hire purchase subsidiary of Cattle's (Holdings), and also of Cattle's Holdings Leasing, a leasing subsidiary. He was with Black Arrow Finance and Black Arrow Leasing.

★

NOLTON has appointed Mr Andrew D. Millar chairman in place of Mr Lyndsay T. B. King who remains a director and chief executive.

★

Mr Christopher Courtenay Taylor has been appointed to the board of WORLD WIDE PICTURES as marketing director.

★

Miss Patricia Mann, vice-president of J. Walter Thompson International and head of external affairs, J. Walter Thompson Group (UK) has been appointed a director of the WOOLWICH EQUITABLE BUILDING SOCIETY.

★

RHM INGREDIENT SUPPLIES has appointed Mr Michael Sedden as sales and marketing director. He takes over from Mr David Gill, who becomes managing director. Mr Edmund Whitewright, managing director, is appointed executive chairman.

★

Mr Robert Flashman has been appointed sales director (previously director of national account sales) and Mr David Cracknell, previously finance controller, becomes finance director of OZALID (UK).

CONTRACTS

# £8.8m road work for Tractor Shovels

Fife Regional Council has placed an £8.8m contract for a "lifeline" to aid the county's economic future. The contract for the first phase of the East Fife regional road has gone to the Fife firm TRACTOR SHOVELS. The government is to be urged to reduce the projected eight to 10 years completion of the £40m network to four or five years.

★

A disused chalk quarry is the site of £4.9m Tesco superstore being built by COSTAIN CONSTRUCTION near Aveley, Essex. The site, formerly part of the old Tunnel cement works, is surrounded by chalk faces up to 12 metres high. Costain is clearing these of vegetation and stabilising them by backstowing with chalk and granular materials to achieve gentle 30 degree slopes. These will later be grassed and landscaped. The design and construct contract comprises a 99,000 sq ft steel framed building on over 600 shell pipes. The supermarket which will be one of the largest in the country, will include a 57,000 sq ft sales area, garden centre, public restaurant, external works and petrol filling station. A car park for 1,000 vehicles is included in the scheme. One unusual feature is a small lake, on one side of the superstore which will be fenced for safety. Completion is due next July.

★

An office development with courtyards is to be built by WIMPEY CONSTRUCTION UK for W. H. Smith and Son in Greenbridge Road, Swindon. The contract is worth £3.5m. The offices will be mainly on two storeys, arranged as a grid of 10.5 metre squares, with each office section surrounded by courtyards. The first floor and roof will be of reinforced concrete waffle slab on a 1,500 module supported on concrete-filled steel columns which will run from the corners onto insitu concrete bases.

A phased factory/warehouse development with six separate units and offering 8,360 square metres of space, is to be built by Wimpey for Wimpey Property Holdings. Costing £1.8m, it will be in the Millwall Docks section of the London Enterprise Zone.

Wimpey has been awarded a £863,000 contract by North Wiltshire District Council for the modernisation of 135 houses in Chippenham.

★

ROCKWOOL has won a £5m order to supply roof decking slab insulation for a series of standardised sports halls to be built across the country by Bovis Construction for the Sports Council. Each centre will use around 1,300 square metres of material and 20 halls are planned for this year. Roofing contractor is RM Douglas which will use 60 mm and 80 mm insulation slabs. The roof decking slab is laid on the deck which is manufactured from hot dipped galvanised steel by Plannja Dobel. Trocal supplied the waterproof membrane. The present contract is worth £5m to Bovis.

Building contracts valued at £6.5m including two from the BBC worth more than £1.5m, have been secured by ESPLEY-TYAS CONSTRUCTION, a member of the Espley-Tyas Property Group. The larger of the two BBC contracts is for the construction of eight two- and three-storey dormitory blocks in four wings and a common room at the BBC's engineering training centre at Wood Norton, near Evesham. At Gabalfa, Cardiff, Espley-Tyas is to build a theatre and projection room. Other work includes a £600,000 contract by the Harris Queensway Group for design and construction of a retail store and storage area at Catford. Total floor area is 30,000 sq ft, together with associated car parking, service area and landscaping.

★

Contracts awarded to TILBURY CONSTRUCTION are valued at over £7.5m. These include two-storey residential and teaching blocks at Missenden Abbey, worth £1.5m, under an order placed by Buckinghamshire County Council. Work begins on August 31 for completion in 22 months; £1.25m extensions to Aylesbury sewage treatment works have been awarded by Thames Water Authority under an 18-month construction programme—a reaction tank, four final tanks, pump-house, flow channel and associated pipe-work are the principal aspects of the contract. The Property Services Agency has placed an £800,000 two-year contract for various maritime works in the Bournemouth area, and repairs and replacements to surface water sewers in Avenue Road, Bournemouth, are worth £285,000 under an order from the Borough Council.

★

Britain is providing about £2m through the overseas aid programme to improve four bridges in Belize which are put out of action by floods for long periods every year. The crossings to be improved are on the Southern Highway at Kendal, South Stann Creek, Swasey and Bladen. The Southern Highway runs for about 100 miles between Dangriga and Punta Gorda, the only motor route connecting the southern half of the country with the more northerly centres of government and commerce. Work on the approach roads and new designs for the bridges will be by British contractors. The Crown Agents will shortly invite tenders for this project.

★

Refurbishment of an office block for British Telecommunications tops a list of Midlands contracts awarded to LAING totalling nearly £3m. Work on the part three, part 12-storey building in Newhall Street, Birmingham, has started, and is worth £1.5m. All windows in the building are being removed and replaced, external elevations cleaned, an entrance canopy constructed and a pedestrian bridge to link the building with Brindley House.



# WEEK'S FINANCIAL DIARY

The following is a record of the principal business and financial engagements during the week. The board meetings are mainly for the purpose of considering dividends and official indications are not always available whether dividends concerned are interims or finals. The sub-divisions shown below are based mainly on last year's timetable.

YESTERDAY
DIVIDEND & INTEREST PAYMENTS—
Amdahl Corp 5cts
Scottish and Newcastle Breweries 3.183p
TODAY
COMPANY MEETINGS—
G.B. Papers, Guardbridge, St Andrews, Fife, 12.00
Moorgate Inv Tst, 1 Brewer's Green, Buckingham Gate, SW, 3.15
Parrish (J. T.), 136, Shields Road, Newcastle-upon-Tyne, 11.00
DIVIDEND & INTEREST PAYMENTS—
Interims:
Dufay Bitumastic
Francis Parker
Ladbroke
Weir
DIVIDEND & INTEREST PAYMENTS—
Bank of Montreal 49cts
Cohen (A) 5.67p, Do NV A 5.67p
FIBI Intnl Inve NV Gtd Flt Rate Notes 1986 $492.45
ICC Oil Services 0.02p
Kleen-E-Ze Hldgs 2p
Latham (James) 6.45p
Lemmons Grp 0.6p
MBI Intnl NV Gtd Flg Rate Notes 1986 $492.45
Monk (A) 4.5p
Nationwide Building Soc 11¼pcBds 30/8/83 £5.8408
Sweden (Kingdom of) Flg Rate Notes 1989 $469.27
TOMORROW
COMPANY MEETINGS—
Cluff Oil, 58, St James's Street, SW, 10.30
Fleming Technology Inv Tst, P & O Bldg, 122, Leadenhall Street, EC, 10.30
Forshaws Burtonwood Brewery, The Brewery, Burtonwood, nr Warrington, Cheshire, 11.00
Great Portland Estates, Brown's Hotel, Dover Street, 12.00
Regalian Properties, Washington Hotel, Curzon Street, W, 3.00
BOARD MEETINGS—
Finals:
Assoc. Dairies
Bank of Scotland Offshore
Interims:
Babcock Intnl.
Dewhirst (I. J.)
Guardian Royal Exchange Assce.
Jacks (William)
Nu-Swift Inds.
Owners Abroad
Robinson (Thomas)
Searrow (G. W.)
Stanley (A. G.)
AMEC 6.5p
Alexander and Alexander Services Inc 25cts
Allied Leather Inds 5pcPf 1.75p
Allnatt London Props 10½pc1stDb 5¼pc
Arlington Motor Hldgs 4p
Atkins Bros (Hosiery) 5½pcPf 1.925p
Automated Security (Hldgs) 8pcPf 4p
Bank of Ireland Flg Rate Capital Nts 1989 $24.60
Bankamerica Corp 38cts
Bankers Inv Tst 0.8p
Bergen Bank AS Flg Rate Cap Nts 1989 $24.60
Berry Tst 4½pcCnvLn 1993 2¼pc
Brascan Class A Cnv NPV 40cts
Britain Ind and Gen Inv Tst 6½pcDb 1985-89 3¼pc
Burmah Oil 8½pcLn 1991-96 4¼pc
Central London (New) Gtd Assd 2pc
Checkers Stores 6pcPf 6cts, 5pcPf 5cts, 2nd5pcPf 5cts, 3rd 6pcPf 5cts
Citicorp Overseas Finance Corp Gtd Flg Rate Nts May 1984 $251.47
Combined English Stores Grp 9¼pcLn 1986-91 4¼pc
Croda Intnl 10¼pcLn 1991-96 5¼pc
Derby Tst Inc 11.076p
Dowty Group 7pcLn 1986-91 3½pc
Dupart 3½pc2ndPf 10.5p
Empresas La Moderna SA de CV Flg Rate Notes 1988 $520.89
Excalibur Jewellery 11.5pcPf 5.75p
Foster (John) 9pcLn 1988-92 4½pc
GTE Finance NV Flt Rate Notes 1987 $230.76
Grant (James) (East) 7½pc1stMtgDb 1991-96 3¾pc
Gresham House 2.6p
Guthrie Corp 7¼pcLn 1985-90 3⅝pc
Helene of London 1.11p
Hepworth (J.) Son 5½pc1stDb 1979-84 2¾pc, 7pc1stDb 1986-91 3½pc, 7¼pc 1stDb 1987-92 3⅝pc
Hickson International 3p
ICL 6pcDb 1983-88 3pc
Intervision Video (Hldgs) 7pcPf 3.5p
Investors in Industry 8¾pcLn 1990-97 4⅜pc
Johnson Firth Brown 11pcLn 1993-98 4.5pc
Kaiser Aluminium Chemical Corp 15c
Kwik-Fit (Tyres Exhausts) 8pcLn 1979-86 4pc
Kynoch (G. and G.) 6½pcPf 2.275p
Leda Investment Trust Inc 2.05p
London St Lawrence Inv 5pcPf 1.75p
London Strathclyde Trust 5pcPf 1.75p
Lyle Shipping 6¾pcPf 2.3625p
Magnet Joinery 9pcDb 1989-94 4½pc
Manufacturers Hanover O'seas Cap Corp $24.26
May Hassell 6pcPf 2.1p
National Westminster 11.4p, 7pcPf 2.45p
New Court Trust 5¼pcDb 1983-88 2⅝pc, 7¼pcDb 1986-91 3⅝pc
Norton Simon 27c
Oceonics 1.5p
Oesterreichische Kontrollbank Gtd 1987 $11.500
Ogilvy Mather Intnl 41c
Panama (Rep of) 1990 $426.78
Parkland Textile (Hldgs) 4.2pcPf 2.1p
Port of Tyne Authority 1983-88 4½-6¼pc
Reed Publishing Hldgs 8pcDb 1992-96 4pc, 4¼pcLn 2004-09 2⅛pc, 7½pcLn 1987-92 3¾pc, 9pcLn 1999-2004 4½pc
Regalian Properties 1.25p
Scott Robertson 7½pcLn 1985-90 3¾pc
Shaw Carpets 5.6pcPf 2.8p
Sotheby Parke Bernet Gp 9½pcPf 4.75p
Spain (Kingdom of) 1983 $49.51
Steinberg Gp 1p
TR Australia Inv Tst 7pcDb 1997-2002 3½pc
TR City of London Tst Df 1.25p, Pf 7p, 6pc1stPf 2.1p, 6pc2ndPf 2.1p
Temple Bar Inv Tst 4½pc1stDb 1978-84 2¼pc
Thames Inv Sec 12pcPf 4.5p
Tilling (Thomas) 8pcDb 1985-90 4pc
Tollgate Hldgs 10c
Travis Arnold 8pcLn 1987-93 4pc
Triplevest 7½pcDb 1987-91 3¾pc
UBM Gp 7½pcPf 2.625p, 5pcDb 1980-85 2½pc, 7pcDb 1980-85 3½pc, 7¼pcDb 1986-91 3⅝pc, 10pcLn 1992-97 5pc
Wormalds Walker Atkinson 9pcLn 1986-1991 4½pc
THURSDAY, SEPTEMBER 1
COMPANY MEETINGS—
Bristol Evening Post, Temple Way, Bristol, 12.00
British Electric Traction, Connaught Rooms, Great Queen Street, W.C., 12.15
Cardio Engng Gp, George Hotel, Huddersfield, 3.00
Christian Salvesen, 50, East Fettes Ave., Edinburgh, 12.00
Hales Properties Group, Belfry Hotel, Wishaw, Sutton Coldfield, 12.00
Kinta Kellas Rubber Estates, 1/4, Great Tower Street, EC, 12.00
Renold, Renold House, Wythenshawe, Manchester, 2.30
SelecTV, Churchill Hotel, Portman Square, W., 11.30
Star Offshore Services, Baltic Exchange, 14-20 St Mary Axe, E.C., 12.00
Sylvane, Post House Hotel, Leeds Road, Bramhope, Nr Leeds, 2.30
BOARD MEETINGS—
Finals:
Continental Microwave
Interims:
Anglo American Gold Inv.
Arrow Chemicals
British Petroleum
Cadbury Schweppes
Cambridge Electronic Inds.
Charterhouse Group
Metal Closures
Micro Business Systems
Morgan Crucible
Noble and Lund
DIVIDEND & INTEREST PAYMENTS
AMAX Inc 5c
Acrow 7½pcADb 1986-91 1⅞pc
American Brands 90c
American General 20c
Ashdown Inv Tst 5pcDb 1985-90 1¼pc
Blue Circle 6pcDb 1988-93 1½pc, 7pc Db 1988-93 1¾pc
Bowater 3¾pc1stDb 1997 0.9375pc
Braby Leslie 8pcPf 2.8p
British Ravenhome 5.25pcPf 2.625p
Bruntcliffe Inv 7pcPf 2.45p
Buffalo Lake Huron Railway 5½pc1stPp 1⅜pc, 5½pc2ndPp 1⅜pc
Clarke Nickolls Coombs 8½pcLn 1987-92 2⅛pc
Continental Ind Tst 5pcDb 1980-85 1¼pc
Cullen's Stores 5pcPf 1.75p
Daily Mail Gen Tst 12p, A 12p
Daniell Breweries 4pcDb 1pc
E. Surrey Water 2.8pcPf 1.4p, 4pcDb 1pc, 7pcDb 1989-91 1¾pc, 7pcDb 1990-92 1¾pc, 7¼pcDb 1991-93 1.8125pc, 10pc Db 1997-98 2½pc
East Worcestershire Waterworks 3.5pc 1.75pc, 7pc 3.5p, 2.8pcPf (1936) 1.4p, 2.8pcPf (1947) 1.4p, 3.85pcPf 1.925p
Electric Gen 8pcDb 1989-94 2¼pc
Fife Regional Council 13¼pc 1983-84 6⅝pc
Fleming Fledgeling Inv Tst 1p
Fleming Mercantile Inv Tst 3½pcDb 1960-1995 ⅞pc
Fleming Technology Inv Tst 2.7p
Ford Motor 30c
Foreshaws Burtonwood Brewery 6.585p
Forte Hldgs 4.8Db 1988-93 1.2pc, 7.7pc Db 1985-90 3.85p
Foster Bros Clothing 5½pcPf 1.925p
Great Portland Est 4p
Greece (Kingdom of) 5pcLn 2½pc, 5pc 1914 Bd 1965 2½pc
Greencoat Prop 6½pc1stDb 1987-92 1⅝pc
IU Intnl 26.75c
Inco 5c
Ingersoll-Rand 65c
Ireland (Republic of) 9½pc 1991-96 4¾pc
Kinta Kellas Rubber Ests 3.5p
Kleinwort Benson Inv Tst 4pcDb 1979-84 1pc, 5½pcDb 1981-86 1⅜pc, 5pcDb 1979-84 1¼pc
Lancroft Kilgour Gp 1p
London County 3pc 1½pc, 2½pc 1¼pc
London Prudential Inv Tst 3pcDb ¾pc
Low Bonar 6pc1stPf 2.1p, 6pc2ndPf 2.1p, 5½pc3rdPf 1.925p
Lucas Ind 6½pc1stPf 2.275p
M and G Gen Tst Inc Units 6.3p
Macpherson (Donald) Gp 1.5p
Minas Geraes (State of, Brazil) 6½pcLn 3¼pc
Monsanto 5pcLn 1982-86 2½pc
Oldham Metropolitan Borough Council 11.25pc 2010 £2.15753
Peninsular Oriental Steam 3½pcDb ⅞pc, 3½pc2ndDb ⅞pc
Port of London Authority 6½pc 1987-90 3¼pc
Radio Rentals (Hldgs) 6½pcLn 1979-84 1⅝pc
Redland 10½pcPf 5.125p
Reed Decorative Products 4pc1stDb 1pc
River Plate Gen Inv Tst 1.4p, 5pcPf 1.75p
Sainsbury (J) 8pcLn 2pc
Salford 5½pc 1986-88 2¾pc
Schneiders (S.) Pf 2.1p
Schroders 6½pcLn 1980-85 1⅝pc
Scottish Angric Sec 5½pcDb 1⅜pc, 5½pc Db 1966-88 2¾pc
Scottish Mortgage Tst 5pcPf 1.75p
Spillers 7pcDb 1978-83 1¾pc, 7¼pcDb 1984-89 1.8125pc
Stonehill Hldgs 10½pcPf 5.25p
Tarmac 6¼pcDb 1989-94 1.5625pc, 6¾pc Db 1986-91 1.6875pc, 6¾pcDb 1989-94 1.6875pc, 7½pcDb 1992-97 1.875pc
Tendring Hundred Waterworks 5.6pc (fmly 8pc) Max £10 2.8p, 3.5pc (fmly 5pc) Max £10 1.75p, 5.6pc (fmly 8pc) Max Pfd £10 2.8p, 2.8pc (fmly 4pc) Pf £10 1.4p, 4.2pc (fmly 6pc) Pf £10 2.1p, 4.55pc (fmly 6½pc) Pf 1982-83 2.275p
Texas Eastern Corp $3.50 $1.025
Transcanada Pipelines 16¼pc1stMtg Pipe Line Bds 2007 4¼pc
Treasury 14½pcLn 1994 7¼pc, 8¾pcLn 1997 4⅜pc
Trident Television A (Non-Vtg) 1.5p
UBM Grp 7½pcPf 2.625p
Union Carbide 85cts
Union Discount Co of London 11p
United Mexican States 16½pcLn 2008 (Reg) 8¼pc
West Kent Water 2.8pc (fmly 4pc) Pf 14p, 3.5pc (fmly 5pc) 1.75p, 3.15pc (fmly 4½pc) Pf 7.875p, 4.025pc (fmly 5¾pc) Pf 1983-86 2.0125p, 4.2pc (fmly 6pc) Pf 1981-83 2.1p
Whitbread 5½pcDb 1981-86 1⅞pc, 6¾pc Db 1984-87 1.6875pc
Witan Inv 8pcDb 1996-99 2pc
FRIDAY, SEPTEMBER 2
COMPANY MEETINGS—
Bridgend Processes, Connaught Rooms, Great Queen Street, WC, 11.00
Cable and Wireless, Savoy Hotel, Strand, W, 12.00
Celestion Inds, Brown's Hotel, Dover Street, W, 12.00
Hollas Group, Windsor House, Southmoor Road, Wythenshawe, Manchester, 11.00
Multitone Electronics, 12, Underwood Street, N, 12.30
Shaw Carpets, Post House, Ossett, nr Wakefield, 12.00
Stroud Riley Drummond, Bankfield Hotel, Bingley, Yorks, 11.30
BOARD MEETINGS—
Finals:
Consolidated Plantations
Whitworth Electric
Interims:
AGA
Alexanders Holdings
Church
Hamilton Oil Great Britain
Mellerware Intnl.
Westwood Dawes
DIVIDEND & INTEREST PAYMENTS—
Berisfords 1.4p
Bristol Evening Post 12p
Cardio Engng 3.25p
Elsburg Gold Mining 6.5cts
Gillette 57.5cts
Hales Properties Grp 2.08334p
Hunterprint Grp 1.2p
Investors Capital Tst 1.5p
Lloyds Bank 10.68p
London and Assoc Inv Tst 0.167p
M and G Dual Tst 10p
Meldrum Inv Tst 1.4p
Randfontein Estates Gold Mining Wit 400cts
Romney Tst 1.5p
Western Areas Gold Mining 10cts
SATURDAY, SEPTEMBER 3
BOARD MEETINGS—
Final:
Sime Darby
DIVIDEND & INTEREST PAYMENTS—
Treasury 9pcCnv 2000 4½pc
Treasury 8¼pcCnv 1985 £6.1354

## Authorised Units—continued

## Offshore and Overseas—continued

## Insurances—continued

# AMERICAN STOCK EXCHANGE CLOSING PRICES

Continued from Page 20

# NEW YORK CLOSING PRICES

Continued from Page 19



# AUTHORISED UNIT TRUSTS

# FT UNIT TRUST INFORMATION SERVICE

# INSURANCES

# INSURANCE & OVERSEAS MANAGED FUNDS

London A'deen & Nthn. Mtl. Assur. Ltd.
129 Kingsway, London, WC2B 6NF. 01-404 0393
"Asset Builder" 65.3 69.2

London Indemnity & Gnl. Ins. Co. Ltd
18-20, The Forbury, Reading 583511.

London Life Linked Assur. Ltd.
100, Temple St., Bristol, BS1 6EA. 0272-279179

London & Manchester Gp.
Winslade Park, Exeter EX5 1DS. 0392 52155

Property Growth Assur. Co. Ltd.
Leon House, Croydon CR9 1LU. 01-680 0606

Providence Capital Life Assc. Co. Ltd.
30 Uxbridge Road, W12 8PG. 01-749 9111

## OFFSHORE AND OVERSEAS

# FT LONDON SHARE INFORMATION SERVICE

## BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Five to Fifteen Years

Over Fifteen Years

Undated

Index-Linked

## INT. BANK AND O'SEAS GOVT. STERLING ISSUES

## CORPORATION LOANS

## COMMONWEALTH AND AFRICAN LOANS

| | | | | | |
|---|---|---|---|---|---|
| | | S. Rhod. 2½pc Non-Ass | 181 | — | — |
| 10Mar | 10Sept | Do. 3½pc 80-85 Assd | 82 | 10 2 | 4 35 | 14.80 |
| 7F | 7A | Do. 4½pc 87-92 Assd | 54 | 7 1 | 8.36 | 13 90 |
| 150 | 15A | Zimbabwe Ann (£100pa) | 392 | 15 3 | — | 14 16 |

## LOANS

Public Board and Ind.

| | | | | | | |
|---|---|---|---|---|---|---|
| 1Ja | 1Jl | Agric. Mt. 5pc '59-89 | 73¾xd | 16 | 6 89 | 11.57 |
| 1M | 1S | Met. Wtr. 3pc 'B' | 34 | 1 1 | 8.80 | 11 57 |

## LOANS—Continued

Financial

Building Societies

## FOREIGN BONDS & RAILS

## AMERICANS

## CANADIANS

## BANKS, H.P. & LEASING

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Jan. | July | ANZ SA1 | 270xd | 15 8 | Q28c | 3 3 | 5 9 | 5.4 |
| Feb | Aug. | Alexanders D. £1 | 239xd | 15.8 | 20.0 | — | 12 0 | — |
| May | Aug. | Algemene Fl 100 | £82½xd | 25.8 | Q26% | 1.8 | 7 0 | 8 0 |
| Dec | June | Allied Irish | 143 | 6 6 | Q49% | 4 2 | 6.7 | 4 9 |
| | July | Ansbacher (H.) 50p | 90 | 18.7 | 3.5 | — | 5 6 | — |
| July | Jan | Bk. Ireland £1 | 255 | 23 5 | Q24 9 | — | 7.6 | — |
| May | Nov. | Bank Leumi | 1¾ | 18.5 | — | — | — | — |
| Aug. | Feb. | Bk. Leumi (UK) £1 | 150xd | 15.8 | 10 15 | — | 9.7 | — |

## BANKS—Continued

Hire Purchase, Leasing, etc.

## BEERS, WINES & SPIRITS

## BUILDING INDUSTRY, TIMBER AND ROADS

## CHEMICALS, PLASTICS

## CHEMICALS, PLASTICS—Cont.

## DRAPERY AND STORES

## ELECTRICALS

## ELECTRICALS—Continued

## ENGINEERING MACHINE TOOLS

## FOOD, GROCERIES, ETC.

## FOOD, GROCERIES—Cont.

## HOTELS AND CATERERS

## INDUSTRIALS (Miscel.)

هكذا من الأصل

## INDUSTRIALS—Continued

## LEISURE

## PROPERTY—Continued

## INVESTMENT TRUSTS—Cont.

## OIL AND GAS—Continued



## MINES—Continued

### Central African

| Dividends Paid | | Stock | Price | Last xd | Div Net | C'vr | Y'ld Gr's |
|---|---|---|---|---|---|---|---|
| Nov. | May | Falcon Rh.50c | 220 | 1.5 | Q70c | 4.2 | 24.9 |
| Nov. | May | Wankie Col. Z$1 | 22 | 25.4 | Q5c | 0.7 | 13.3 |
| — | | Zam.Cpr.SBD0.24 | 19½ | 9/80 | — | — | — |

### Australians

| Dividends Paid | | Stock | Price | Last xd | Div Net | C'vr | Y'ld Gr's |
|---|---|---|---|---|---|---|---|
| — | | ♥ACM 20c | 17½ | — | — | — | — |
| — | | Allstate Expln NL | 40 | — | — | — | — |
| — | | Balmoral Resources | 17 | — | — | — | — |
| — | | ♥Black Hill Mins. | 47 | — | — | — | — |
| — | | ♥Bond Corp. | 70 | — | gQ10c | 2.3 | 8.7 |
| Nov. | Apr. | ♥Bougainville 1 Kina | 174 | 11.3 | mQ3.42c | 1.2 | 1.2 |
| May | Nov | ♥CRA 50c | 350 | 11.3 | tQ3c | — | 0.5 |
| — | | ♥Carr Boyd 20c | 86 | — | — | — | — |
| — | | ♥Central Pacific | 32 | — | — | — | — |
| — | | ♥Cons Gold Mng Areas | 3 | — | — | — | — |
| — | | ♥Coopers Res N.L. | 17 | — | — | — | — |
| — | | ♥Crusader Oil | 230 | — | — | — | — |
| — | | ♥Cultus Pac NL | 11 | — | — | — | — |
| — | | ♥Eagle Corp 10c | 18 | — | — | — | — |
| — | | ♥Emperor Mines | 210 | — | — | — | — |
| — | | ♥Endeavour 20c | 11½ | — | — | — | — |
| — | | ♥Enterprise Gld Mines | 38 | — | — | — | — |
| Apr | Oct | ♥GM Kalgoorlie 25c | 705 | 28.9 | hQ10c | ♦ | 0.8 |
| — | | Grt. Eastern Mines | 17½ | — | — | — | — |
| Sept. | Feb. | Hampton Areas 10p | 224 | 18.7 | 3.75 | 2.1 | 2.4 |
| — | | ♥Haoma NW | 27 | — | — | — | — |
| — | | ♥Hill Minerals N.L. | 54 | — | — | — | — |
| — | | ♥Intnl Mining | 26 | — | — | — | — |
| — | | ♥Jingellic Minerals | 62 | — | — | — | — |
| — | | ♥Kalbara Min 20c | 23 | — | — | — | — |
| — | | ♥Keywest Expl | 17½ | — | — | — | — |
| — | | ♥Kitchener NL 25c | 110 | — | — | — | — |
| — | | ♥Meekatharra 25c | 82 | — | — | — | — |
| — | | ♥Metals Ex 50c | 47 | 14.9 | — | — | — |
| — | | ♥Metramar Mins 20c | 32 | — | — | — | — |
| Oct. | Apr. | ♥MIM Hldgs 50c. | 262 | 12.2 | Q5c | — | 1.1 |
| — | | ♥Mincorp 20c | 11½ | — | — | — | — |
| — | | ♥Minefields Expl 25c | 5 | — | — | — | — |
| — | | ♥Newmetal 20c | 40 | — | — | — | — |
| June | Nov | ♥North B Hill 50c | 187 | 19.11 | gQ6c | 1.3 | 1.8 |
| — | | Nth. Kalgurli | 67 | — | — | — | — |
| May | Nov. | ♥Oakbridge 50c | 86 | 30.4 | Q7c | 1.7 | 4.7 |
| — | | Otter Expln NL | 46 | — | — | — | — |
| — | | ♥Pacific Copper | 65 | — | Nil | — | — |
| — | | ♥Pancont'l 25c | 96 | — | — | — | — |
| — | | Pan Pacific Pets NL | 6¼ | — | — | — | — |
| — | | Paringa Mng & Expln 5p | 72 | — | — | — | — |
| Apr. | Oct. | ♥Peko-Wallsend 50c | 462 | 15.3 | Q5c | ♦ | 0.6 |
| — | | ♥Pelsart Res NL. | 6 | — | — | — | — |
| — | | ♥Renison 50c | 294 | — | Q10c | ♦ | 2.0 |
| — | | ♥Do Defd | 270 | — | — | — | — |
| — | | Samantha Explor NL | 82 | — | — | — | — |
| — | | Samson Explor NL | 52 | — | — | — | — |
| — | | ♥Seltrust 50c | 72 | — | — | — | — |
| — | | ♥Sons of Gwalia N.L. | 47 | — | — | — | — |
| — | | ♥Southern Pacific | 15 | — | — | — | — |
| — | | ♥Southern Ventures 25c | 8½ | — | Nil | — | — |
| — | | ♥Swan Res 20c | 23 | — | — | — | — |
| — | | ♥United Goldfields | 52 | — | — | — | — |
| — | | ♥West Coast 25c. | 14 | — | — | — | — |
| — | | ♥Western Cons. 50c | 19 | — | — | — | — |
| Oct. | May | Westn. Mining 50c. | 294 | 21.3 | ‡Q2½c | ♦ | ‡ |
| — | | ♥Whim Creek 20c | 180 | — | — | — | — |
| — | | ♥York Resources. | 22 | — | — | — | — |

### Tins

| Dividends Paid | | Stock | Price | Last xd | Div Net | C'vr | Y'ld Gr's |
|---|---|---|---|---|---|---|---|
| Apr. | Nov. | Ayer Hitam SM1 | 210 | 21.3 | ‡Q95c | 1.0 | ‡ |
| — | | Geevor | 128 | 6/80 | — | — | — |
| — | | Gold & Base 12½p | 12 | 10/74 | — | — | — |
| July | Jan. | Gopeng Cons. | 405 | 25.4 | 20.0 | 1.4 | 7.1 |
| Mar | Aug | Hongkong | 575 | 6/80 | 21.0 | ♦ | 5.2 |
| June | July | Jantar 12½p | 16 | 6.6 | 1.5 | 0.2 | 13.4 |
| September | | Kamunting SM0.50. | 235 | 7.12 | tvQ27½c | 0.8 | 3.3 |
| Jan | June | Malaysia Mng. 10c | 77 | 20.6 | vQ11c | 0.9 | 4.1 |
| — | | ♥Pahang | 54 | 27.11 | — | — | — |
| — | | Pengkalen 10p | 500 | 11.4 | 1.0 | — | 0.3 |
| June. | Jan. | Petaling SM1 | 320 | 7.3 | vQ60c | 1.3 | 5.3 |
| Jan. | Aug. | Sungei Besi SM1. | 245 | 31.12 | ‡vQ185c | 0.6 | ‡ |
| — | | ♥Supreme Corp M$1 | 55 | 9/74 | vnQ3¾c | ♦ | 2.0 |
| — | | Tanjong 15p | 105 | 15.6 | g3.5 | — | 4.8 |
| Sept. | Mar. | ♥Tongkah H. Tin SM1 | 135 | 21.5 | vQ5c | 1.3 | 1.1 |
| Oct. | June | Tronoh SM1 | 260 | 6.6 | vQ90c | 1.1 | 9.8 |

### Miscellaneous

| Dividends Paid | | Stock | Price | Last xd | Div Net | C'vr | Y'ld Gr's |
|---|---|---|---|---|---|---|---|
| — | | Admiral Mines | 95 | — | — | — | — |
| — | | ♥Anglo-Dominion | 77 | — | — | — | — |
| — | | ♥Anglo Utd. Dev. | 63 | — | — | — | — |
| — | | ♥Colby Res Corp. | 125 | — | — | — | — |
| Aug. | Feb. | Cons. Murch. 10c. | 500 | 4.7 | ‡Q60c | 1.9 | ‡ |
| — | | ‡‡Explaura Gold | 3 | — | — | — | — |
| — | | ♥Highwood Res | 180 | — | — | — | — |
| — | | Homestake Mining $1 | £23¾ | 3.8 | hQ20c | — | 0.6 |
| — | | Northgate C$1 | 370 | 9/77 | — | — | — |
| Jan. | July | R.T.Z. | 660 | 9.5 | 17.0 | 1.9 | 3.7 |
| Jan | July | Do 9¼%Cv Ln 95-2000 | £146 | 9.5 | Q9½% | 21.4 | 6.6 |
| — | | ♥Sabina Inds C$1 | 133 | — | — | — | — |
| For Southwest Res see Oil & Gas | | | | | | | |
| — | | ♥Tara Expln $1 | 600 | — | — | — | — |

## NOTES

## SHIPPING

## SHOES AND LEATHER

## SOUTH AFRICANS

## TEXTILES

## TOBACCOS

## TRUSTS, FINANCE, LAND

Investment Trusts

## MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

## NEWSPAPERS, PUBLISHERS

## PAPER, PRINTING ADVERTISING

## PROPERTY

## INSURANCES

## OVERSEAS TRADERS

## PLANTATIONS

Rubbers, Palm Oil

Teas

## MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Finance

Diamond and Platinum

## OIL AND GAS

Finance, Land, etc.

## REGIONAL AND IRISH STOCKS

## OPTIONS

3-month Call Rates

"Recent Issues" and "Rights" Page 14

# CURRENCIES, MONEY and CAPITAL MARKETS

## FOREIGN EXCHANGES

# Jumping at shadows

BY COLIN MILLHAM

Foreign exchange markets were jumping at shadows last week, with almost any piece of news producing a gross over-reaction, sending the dollar up or down by about 2 pfennigs at a time against the D-mark.

It is anyone's guess what will happen in September, when another M1 money supply bulge is expected, and this seemed to be in the back of dealers minds last week, despite hopes that M1 would soon be within the Federal Reserve's target range.

Several weeks of encouraging M1 figures took the dollar down from the record levels touched earlier in August, but if September does produce some more large M1 numbers there is little reason to suppose that the currency will not soon be nudging back towards the DM 2.73 level.

There was a general state of confusion about the probable outcome of the Federal Open Market Committee meeting last week, with the result that whatever the Fed did it produced the wrong response from the market. The most probable decision by the FOMC was to leave credit policies unchanged, but when the Fed did not intervene as Fed funds fell on Wednesday speculation about a possible easing of interest rates pushed the dollar down, only for a draining of funds by the Fed the following day to produce the reverse reaction on fears of Fed tightening. The U.S. authorities were probably only trying to keep the market steady, but on Wednesday chose to sit out the distortions of make up day, while on Thursday insured that Fed funds did not go below 9 per cent two days running, which would almost certainly have been misinterpreted by the market.

Reaction to the UK trade figures was rather strange. The figures were regarded as disappointing, but possibly because the pound has been on the sidelines with interest concentrated on the dollar, only a mild fall was recorded after Wednesday's announcement.

Further analysis showed how badly exports of manufactured goods had fared in July however. This led to speculation that the authorities may be happy to see sterling lower against the currencies of Britain's Continental competitors, even if this means a fall against the dollar. Against this background the pound was sold more heavily on Thursday, although this trend seemed to peter out again on Friday.

### FORWARD RATES AGAINST STERLING

| | Spot | 1 month | 3 month | 6 month | 12 month |
|---|---|---|---|---|---|
| Dollar | 1.5015 | 1.5018 | 1.5031 | 1.5050 | 1.5075 |
| D-Mark | 4.0075 | 3.9935 | 3.9655 | 3.9260 | 3.8575 |
| French Franc | 12.06 | 12.09 | 12.2050 | 12.43 | 12.76 |
| Swiss Franc | 3.28 | 3.2460 | 3.2195 | 3.18 | 3.10 |
| Japanese Yen | 369.50 | 368.55 | 366.70 | 363.50 | 357.30 |

### EMS EUROPEAN CURRENCY UNIT RATES

| | ECU central rates | Currency amounts against ECU August 26 | % change from central rate | % change adjusted for divergence | Divergence limit % |
|---|---|---|---|---|---|
| Belgian Franc | 44.9008 | 45.7459 | +1.88 | +1.21 | ±1.5447 |
| Danish Krone | 8.14104 | 8.19787 | +0.70 | +0.03 | ±1.6425 |
| German D-Mark | 2.24184 | 2.27478 | +1.47 | +0.80 | ±1.0642 |
| French Franc | 6.87456 | 6.84831 | −0.38 | −1.05 | ±1.4052 |
| Dutch Guilder | 2.52595 | 2.54812 | +0.88 | +0.21 | ±1.4964 |
| Irish Punt | 0.72569 | 0.723165 | −0.35 | −1.02 | ±1.6699 |
| Italian Lira | 1403.49 | 1357.26 | −3.29 | −3.29 | ±4.1505 |

Changes are for ECU, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

### OTHER CURRENCIES

| Aug. 26 | £ | $ | | Note Rates |
|---|---|---|---|---|
| Argentina Peso | 16.53-16.61 | 11.04-11.054 | Austria | 28.00-28.30 |
| Australia Dollar | 1.7020-1.7040 | 1.1335-1.1335 | Belgium | 80.70-81.50 |
| Brazil Cruzeiro | [illegible] | [illegible] | Denmark | 14.37-14.51 |
| Finland Markka | 8.5610-8.5900 | 5.7000-5.7050 | France | 12.01-12.12 |
| Greek Drachma | [illegible] | [illegible] | Germany | 3.99¼-4.03¼ |
| Hong Kong Dollar | 11.14½-11.16½ | 7.45-7.46 | Italy | 2350-2390 |
| Iran Rial | 132.50* | 87.10* | Japan | 365-370 |
| Kuwait Dinar (KD) | 0.4370-0.4380 | 0.2915-0.29205 | Netherlands | 4.47-4.51 |
| Luxembourg Fr. | 80.42-80.52 | 53.59-53.61 | Norway | 11.16-11.28 |
| Malaysia Dollar | 3.5125-3.5225 | 2.3485-2.3515 | Portugal | 180½-203 |
| New Zealand Dlr. | 2.3045-2.3095 | 1.5335-1.5360 | Spain | 217¼-232¼ |
| Saudi Arab. Riyal | 5.2080-5.2145 | 3.4790-3.4810 | Sweden | 11.79-11.89 |
| Singapore Dollar | 3.1950-3.2050 | 2.1370-2.1400 | Switzerland | 3.24¼-3.27¼ |
| Sth. African Rand | 1.6876-1.6886 | 1.1240-1.1245 | United States | 1.50-1.52 |
| U.A.E. Dirham | 5.4965-5.5020 | 3.6720-3.6730 | Yugoslavia | 172-191 |

* Selling rates.

### THE POUND SPOT AND FORWARD

| Aug 26 | Day's spread | Close | One month | % p.a. | Three months | % p.a. |
|---|---|---|---|---|---|---|
| U.S. | 1.4940-1.5090 | 1.5010-1.5020 | par-0.05c dis | −0.20 | 0.13-0.18dis | −0.41 |
| Canada | 1.8400-1.8570 | 1.8470-1.8480 | 0.10c pm-par | 0.32 | 0.10 pm-par | 0.11 |
| Nethlnd. | 4.45-4.50 | 4.48-4.49 | 1⅜-1⅛c pm | 3.68 | 4½-3⅞ pm | 3.68 |
| Belgium | 79.85-80.60 | 80.42-80.52 | 7c pm-3 dis | 0.30 | 8 pm-2 dis | 0.15 |
| Denmark | 14.32-14.47 | 14.44¾-14.45¾ | ½ore pm-⅞ dis | −0.21 | 2-¾ pm | 0.38 |
| Ireland | 1.2700-1.2800 | 1.2735-1.2745 | 0.23-0.25p dis | −2.26 | 0.67-0.72dis | −2.18 |
| W. Ger. | 3.97-4.02 | 4.00¼-4.01¼ | 1½-1¼pf pm | 4.49 | 4½-4 pm | 4.24 |
| Portugal | 183.00-186.00 | 184.50-185.00 | 155-430c dis | −19.00 | 475-1185dis | −17.97 |
| Spain | 225.50-228.00 | 226.30-226.50 | 318-425c dis | −19.53 | 1125-1385dis | −22.00 |
| Italy | 2,370-2,394 | 2,388-2,390 | 14-16lire dis | −7.53 | 45-49 dis | −7.87 |
| Norway | 11.13-11.25 | 11.19½-11.20½ | 2½-3¾ore dis | −3.28 | 8½-9½ dis | −3.19 |
| France | 11.96-12.06 | 12.04½-12.05½ | 3¼-4¼c dis | −3.73 | 14½-16½ dis | −5.14 |
| Sweden | 11.74-11.86 | 11.80¾-11.81¾ | 1½-2¼ore dis | −1.90 | 4½-5¾ dis | −1.65 |
| Japan | 365-371 | 369-370 | 1.05-0.85y pm | 3.08 | 2.90-2.70 pm | 3.03 |
| Austria | 27.90-28.15 | 28.06-28.11 | 10¾-8gro pm | 4.00 | 31-26 pm | 4.06 |
| Switz. | 3.22-3.27 | 3.25½-3.26½ | 1⅜-1⅛c pm | 5.06 | 4½-3¾ pm | 5.06 |

Belgian rate is for convertible francs. Financial franc 80.90-81.00. Six-month forward dollar 0.32-0.37c dis. 12-month 0.55-0.65c dis.

### EXCHANGE CROSS RATES

| Aug. 26 | Pound St'rling | U.S. Dollar | Deutschem'k | Japanese Yen | French Franc | Swiss Franc | Dutch Guild | Italian Lira | Canada Dollar | Belgian Franc |
|---|---|---|---|---|---|---|---|---|---|---|
| Pound Sterling | 1 | 1.502 | 4.008 | 369.5 | 12.05 | 3.260 | 4.485 | 2389. | 1.848 | 80.47 |
| U.S. Dollar | 0.666 | 1. | 2.669 | 246.1 | 8.025 | 2.171 | 2.987 | 1591. | 1.230 | 53.59 |
| Deutschmark | 0.250 | 0.375 | 1. | 92.20 | 3.007 | 0.813 | 1.119 | 596.1 | 0.461 | 20.08 |
| Japanese Yen 1,000 | 2.706 | 4.064 | 10.85 | 1000. | 32.61 | 8.825 | 12.14 | 6464. | 5.000 | 217.8 |
| French Franc 10 | 0.830 | 1.246 | 3.326 | 306.6 | 10. | 2.705 | 3.722 | 1982. | 1.533 | 66.78 |
| Swiss Franc | 0.307 | 0.461 | 1.229 | 113.3 | 3.696 | 1. | 1.376 | 732.8 | 0.567 | 24.68 |
| Dutch Guilder | 0.223 | 0.335 | 0.894 | 82.39 | 2.687 | 0.727 | 1. | 532.7 | 0.412 | 17.94 |
| Italian Lira 1,000 | 0.419 | 0.629 | 1.677 | 154.7 | 5.044 | 1.365 | 1.877 | 1000. | 0.773 | 33.68 |
| Canadian Dollar | 0.541 | 0.813 | 2.169 | 200.0 | 6.522 | 1.765 | 2.428 | 1293. | 1. | 43.56 |
| Belgian Franc 100 | 1.243 | 1.866 | 4.980 | 459.2 | 14.97 | 4.051 | 5.574 | 2959. | 2.296 | 100. |

### BANK OF ENGLAND TREASURY BILL TENDER

| | Aug. 26 | Aug. 19 | | Aug. 26 | Aug. 19 |
|---|---|---|---|---|---|
| Bills on offer | £100m | £100m | Top accepted rate of discount | 9.3456% | 9.3456% |
| Total of applications | £485.42m | £526.88m | Average rate of discount | 9.3386% | 9.3291% |
| Total allocated | £100m | £100m | Average yield | 9.55% | 9.55% |
| Minimum accepted bid | £97.67 | £97.67 | Amount on offer at next tender | £100m | £100m |
| Allotment at minimum level | 9% | 61% | | | |

### CURRENCY MOVEMENTS / CURRENCY RATES

| Aug. 26 | Bank of England Index | Morgan Guaranty Change % |
|---|---|---|
| Sterling | 84.8 | −35.7 |
| U.S. dollar | 128.8 | +15.8 |
| Canadian dollar | 92.9 | −16.6 |
| Austrian schilling | 121.7 | +29.4 |
| Belgian franc | 91.2 | −3.3 |
| Danish kroner | 79.7 | −13.5 |
| Deutsche mark | 136.8 | +54.6 |
| Swiss franc | 150.6 | +109.9 |
| Guilder | 115.5 | +25.0 |
| French franc | 68.0 | −34.5 |
| Lira | 50.4 | −58.9 |
| Yen | 146.9 | +58.0 |

Based on trade weighted changes from Washington agreement December 1971. Bank of England Index (base average 1975=100).

| Aug. 26 | Bank rate % | Special Drawing Rights | European Currency Unit |
|---|---|---|---|
| Sterling | — | 0.697626 | 0.569122 |
| U.S. $ | 8½ | 1.05186 | 0.855604 |
| Canadian $ | 9.57 | [illegible] | 1.05278 |
| Austria Sch | 3¾ | 19.5833 | 15.9680 |
| Belgian F | 9 | 56.1862 | 45.7459 |
| Danish Kr | 7½ | 10.0707 | 8.19787 |
| D mark | 4 | 2.79590 | 2.27478 |
| Guilder | 4½ | 3.13099 | 2.54812 |
| French F | 9½ | 8.42292 | 6.84831 |
| Lira | 17 | 1666.54 | 1357.26 |
| Yen | 5½ | 256.976 | 209.065 |
| Norwgn Kr | 9 | 7.83335 | 6.37094 |
| Spanish Pta | — | 158.476 | 128.924 |
| Swedish Kr | 8½ | 8.25468 | 6.72159 |
| Swiss Fr | 4 | 2.27185 | 1.84857 |
| Greek Dr'ch | 20½ | 96.2996 | 78.2786 |

*CS/SDR rate for Aug 25: 1.29981

### THE DOLLAR SPOT AND FORWARD

| Aug 26 | Day's spread | Close | One month | % p.a. | Three months | % p.a. |
|---|---|---|---|---|---|---|
| UK† | 1.4940-1.5090 | 1.5010-1.5020 | par-0.05c dis | −0.20 | 0.13-0.18dis | −0.41 |
| Ireland† | 1.1770-1.1855 | 1.1810-1.1820 | [illegible] | [illegible] | [illegible] | [illegible] |
| Canada | 1.2300-1.2310 | 1.2305-1.2310 | [illegible] | [illegible] | [illegible] | [illegible] |
| Nethlnd. | 2.9785-2.9890 | 2.9870-2.9890 | [illegible] | [illegible] | [illegible] | [illegible] |
| Belgium | 53.35-53.61 | 53.59-53.61 | [illegible] | [illegible] | [illegible] | [illegible] |
| Denmark | 9.5725-9.6225 | 9.6125-9.6225 | [illegible] | [illegible] | [illegible] | [illegible] |
| W. Ger. | 2.6540-2.6725 | 2.6675-2.6685 | [illegible] | [illegible] | [illegible] | [illegible] |
| Portugal | 122.40-123.60 | 123.20-123.50 | [illegible] | [illegible] | [illegible] | [illegible] |
| Spain | 150.65-151.20 | 151.00-151.20 | [illegible] | [illegible] | [illegible] | [illegible] |
| Italy | 1,585-1,592 | 1,590½-1,591½ | [illegible] | [illegible] | [illegible] | [illegible] |
| Norway | 7.4450-7.4600 | 7.4550-7.4600 | [illegible] | [illegible] | [illegible] | [illegible] |
| France | 7.9860-8.0300 | 8.0225-8.0275 | [illegible] | [illegible] | [illegible] | [illegible] |
| Sweden | 7.8500-7.8700 | 7.8650-7.8800 | [illegible] | [illegible] | [illegible] | [illegible] |
| Japan | 243.80-246.15 | 245.85-246.05 | [illegible] | [illegible] | [illegible] | [illegible] |
| Austria | 18.65-18.74 | 18.72¼-18.73¾ | [illegible] | [illegible] | [illegible] | [illegible] |
| Switz. | 2.1570-2.1760 | 2.1710-2.1720 | [illegible] | [illegible] | [illegible] | [illegible] |

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 53.87-53.97.

## FINANCIAL FUTURES

### LONDON

In the table below the London International Financial Futures Exchange prices are for August 26. Chicago prices were not available for this edition.

**THREE-MONTH EURODOLLAR** $1m points of 100 per cent

| | Close | High | Low | Prev |
|---|---|---|---|---|
| Sept | 89.89 | 89.97 | 89.89 | 90.05 |
| Dec | 89.41 | 89.50 | 89.38 | 89.65 |
| Mar | 89.13 | 89.22 | 89.11 | 89.37 |
| June | 88.89 | 89.00 | 88.89 | 89.11 |
| Sept | 88.71 | — | — | 88.85 |

Volume 3,072 (2,010)
Previous day's open int. 6,027 (6,125)

**THREE-MONTH STERLING DEPOSIT** £250,000 points of 100 per cent

| | Close | High | Low | Prev |
|---|---|---|---|---|
| Sept | 90.25 | 90.25 | 90.17 | 90.25 |
| Dec | 89.90 | 89.91 | 89.86 | 89.95 |
| Mar | 89.53 | 89.59 | 89.53 | 89.65 |
| June | 89.17 | — | — | 89.25 |
| Sept | 89.06 | — | — | 89.03 |

Volume 475 (334)
Previous day's open int. 4,182 (4,250)

**20-YEAR 12 PER CENT NOTIONAL GILT** £50,000 32nds of 100 per cent

| | Close | High | Low | Prev |
|---|---|---|---|---|
| Sept | 102-05 | 102-14 | 101-30 | 102-16 |
| Dec | 104-03 | 104-14 | 104-00 | 104-14 |
| Mar | 103-22 | 103-27 | 103-22 | 104-02 |
| June | 103-09 | — | — | 103-20 |
| Sept | 102-27 | — | — | 103-08 |

Volume 2,009 (1,810)
Previous day's open int. 4,746 (4,859)
Basis quote (clean cash price of 13¾ per cent Treasury 1998 less equivalent price of near futures contract) par to 08 (32nds).

**STERLING £25,000 $ per £**

| | Close | High | Low | Prev |
|---|---|---|---|---|
| Sept | 1.4975 | 1.5082 | 1.4975 | 1.5078 |
| Dec | 1.4990 | 1.5085 | 1.4970 | 1.5090 |
| Mar | 1.5005 | — | — | 1.5106 |

Volume 219 (630)
Previous day's open int. 1,448 (1,826)

**DEUTSCHE MARKS** DM 125,000 $ per DM

| | Close | High | Low | Prev |
|---|---|---|---|---|
| Sept | 0.3752 | 0.3766 | 0.3752 | 0.3799 |
| Dec | 0.3795 | 0.3818 | 0.3795 | 0.3843 |
| Mar | [illegible] | — | — | [illegible] |

Volume 15 (97)
Previous day's open int. 498 (501)

**SWISS FRANCS** SwFr 125,000 $ per SwFr

| | Close | High | Low | Prev |
|---|---|---|---|---|
| Sept | 0.4600 | 0.4640 | 0.4600 | 0.4689 |
| Dec | 0.4676 | 0.4705 | 0.4676 | 0.4733 |

Volume 22 (1)
Previous day's open int. 252 (252)

**JAPANESE YEN** Y12.5m $ per Y100

| | Close | High | Low | Prev |
|---|---|---|---|---|
| Sept | 0.4065 | 0.4100 | 0.4065 | 0.4125 |
| Dec | 0.4100 | 0.4133 | 0.4100 | 0.4156 |
| Mar | — | — | — | — |

Volume 22 (20)
Previous day's open int. 283 (283)

### WEEKLY CHANGE IN WORLD INTEREST RATES

| | Aug. 26 | change | | Aug. 26 | change |
|---|---|---|---|---|---|
| LONDON | | | NEW YORK | | |
| Base rates | 9½ | Unch'd | Prime rates | 11 | Unch'd |
| 7 day interbank | 9¾ | [illegible] | Federal funds | 9⅜ | [illegible] |
| 3 mth interbank | 9½ | [illegible] | 3 mth Treasury Bills | 9.26 | −0.03 |
| Treasury Bill Tender | 9.3386 | −0.0095 | 6 mth. Treasury Bills | 9.40 | −0.02 |
| Band 1 Bills | 9½ | Unch'd | 3 Mth. CD | 9.60 | −0.10 |
| Band 2 Bills | 9½ | Unch'd | FRANKFURT | | |
| Band 3 Bills | 9½ | Unch'd | Lombard | 5.00 | Unch'd |
| 3 Mth. Treasury Bills | 9½ | [illegible] | One Mth. Interbank | 5.425 | +0.075 |
| 1 Mth. Bank Bills | 9½ | [illegible] | Three month | 5.65 | +0.10 |
| 3 Mth. Bank Bills | 9½ | [illegible] | PARIS | | |
| TOKYO | | | Intervention Rate | 12.25 | Unch'd |
| One month Bills | 6.71875 | Unch'd | One Mth. Interbank | 12.3125 | −0.0625 |
| Three month Bills | 6.71875 | Unch'd | Three month | 12.3125 | −0.0625 |
| BRUSSELS | | | MILAN | | |
| One month | 8.6875 | −0.9375 | One month | 17⅛ | Unch'd |
| Three month | 9.0625 | Unch'd | Three month | 17¹⁄₁₆ | Unch'd |
| AMSTERDAM | | | DUBLIN | | |
| One month | 5⅞ | −⅛ | One month | 13½ | −⅛ |
| Three month | 6⅛ | Unch'd | Three month | 13½ | −⅛ |

London—band 1 bills mature in up to 14 days, band 2 bills 15 to 33 days, and band 3 bills 34 to 63 days. Rates quoted represent Bank of England buying or selling rates with the money market. In other centres rates are generally deposit rates in the domestic money market and their respective changes during the week. Band 4 bills 9⅝.

# Divorce rules reform urged

SAVINGS of up to £20m a year could me bade if new divorce proceedings were introduced and state money used initially for marriage guidance and conciliation rather than judicial conflict.

This claim is made in a study in the latest edition of Civil Justice Quarterly.

The report's authors, Judge Jean Graham Hall and Mr Dougls Martin, a former official of the Lord Chancellor's Department, argue that in order to improve efforts towards conciliation full legal aid should not be available "until there is clearly a dispute which can not be resolved by the parties themselves or by reasonable mediation."

# More use Orkney ferry

The new roll-on/roll-off ferry service in Scapa Flow, Orkney, has carried more than 7,000 passengers in its first 12 weeks of operation.

During the same period the ship "Lyrawa Bay" carried 964 cars and 466 commercial vehicles.

The service is operated by the Orkney Islands Shipping Company, of Kirkwall, to link three islands.

# £15m hotel opened

GLASGOW'S LARGEST hotel, the 320-bed £15m Skean Dhu, was opened yesterday by Mr George Younger, the Scottish Secretary.

### EUROPEAN OPTIONS EXCHANGE

| Series | | Vol. | Last | Vol. | Last | Vol. | Last | Stock |
|---|---|---|---|---|---|---|---|---|
| | | Nov. | | Feb. | | May | | |
| GOLD C | $400 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | $417 |
| GOLD C | $425 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | " |
| GOLD C | $450 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | " |
| GOLD P | $375 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | " |
| GOLD P | $400 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | " |
| GOLD P | $425 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | " |
| | | Sept. | | Dec. | | Mch. | | |
| D/FL C | F.295 | — | — | 25 | 5.50 B | — | — | F.300.70 |
| D/FL C | F.300 | 118 | 3 | 140 | 5 | 53 | 5.50 | " |
| D/FL C | F.305 | — | — | 45 | 3 | — | — | " |
| D/FL C | F.310 | — | — | 84 | 2 | 100 | 2.50 | " |
| D/FL P | F.285 | — | — | 63 | 2.20 | — | — | " |

TOTAL VOLUME IN CONTRACTS: 11,751

A=Asked B=Bid C=Call P=Put



## MONEY MARKETS

# Succumbing to the weather

The City seemed to have finally succumbed to the hot humid weather last week, and gave up all pretence of any active trading long before the holiday weekend came to relieve the boredom.

The week began with sterling interest rates falling, encouraged by lower Eurodollar rates following the fall in U.S. M1 money supply announced on the previous Friday. Adequate day-to-day credit in London on Monday also helped to reduce rates, and during the rest of the week conditions were comfortable enough, while sterling rates responded only to any changes in Eurodollars.

There was a suggestion at one time that the Federal Open Market Committee might have eased its credit policies, and at about the same time that the Bundesbank council was about to do the opposite. The rumour about the German central bank had more of a ring of truth about it, since German money supply growth has been giving rise to some concern recently, but any rise in German rates would hardly be greeted warmly by the rest of Europe, and with a lower German July trade surplus underlining the fragility of economic recovery, the Bundesbank decided that the time was not appropriate for changing interest rates.

Talk of easier Fed policy seemed to be based on the Federal funds rate touching 8⅞ per cent without any reaction from the authorities. But this was on Wednesday, when the New York market is often distorted by weekly make-up day for the banks, and it was only a few weeks ago that the market expected this FOMC meeting to tighten interest rates.

On the following day the markets became equally excited when the Fed drained reserves to prevent Fed funds dropping below 9 per cent again. In some quarters this was interpreted as a sign of tightening, but the confusion was generally confined to the foreign exchanges, where the market spent most of the week chasing its own tail.

London's inertia included gilt and futures trading, with disappointing UK trade figures having little impact, apart from once again on the foreign exchanges.

### LONDON MONEY RATES

| Aug. 26 1983 | Sterling Certificate of deposit | Interbank | Local Authority deposits | Local Auth. negotiable bonds | Finance House Deposits | Company Deposits | Discount Market Deposits | Treasury Bills ⊕ | Eligible Bank Bills ⊕ | Fine Trade Bills ⊕ |
|---|---|---|---|---|---|---|---|---|---|---|
| Overnight | — | 9-10 | 9¾-9⅞ | — | — | 9½-10 | 6-9¾ | — | — | — |
| 2 days notice | — | — | 9½ | — | — | — | — | — | — | — |
| 7 days or | — | — | — | — | — | 9¾-10 | — | — | — | — |
| 7 days notice | — | 9⅝-10 | 9½ | — | — | 9⅝ | 9⅝ | — | — | — |
| One month | 9¹¹⁄₁₆-9⁹⁄₁₆ | 9⅝-9¾ | 9⅝ | 10¼-9⅞ | 9¾ | 10 | 9⅝ | 9½ | 9½-9¹⁷⁄₃₂ | 10⅛ |
| Two months | 9¾-9⅝ | 9¹¹⁄₁₆-9⅞ | 9⅝ | 10¼-9⅞ | 9⁹⁄₁₆ | — | 9⅝ | 9⁷⁄₁₆ | 9⅝ | 10⅛ |
| Three months | 9⅞-9¾ | 9⅞-9⅞ | 9⅝ | 10¼-9⅞ | 9⁹⁄₁₆ | — | 9½ | 9⅝ | 9⅝ | 10 |
| Six months | 9¹¹⁄₁₆-9⅞ | 10⅛-10¼ | 10 | 10-9⅝ | 10¼ | — | — | — | 9½ | 10⅛ |
| Nine months | 10⅛-10⅛ | 10⅛-10¼ | 10 | 10⅝-10¼ | 10½ | — | — | — | — | — |
| One year | 10¼-10⅛ | 10⅛-10⅝ | 10⅝ | 10⅝-10¼ | 10⅝ | — | — | — | — | — |
| Two years | — | — | 11 | — | — | — | — | — | — | — |

ECGD Fixed Rate Export Scheme IV. Average Rate for interest period July 6 to August 2 1983 (inclusive) 9.983 per cent.

Local authorities and finance houses seven days' notice, others seven days fixed. Long-term local authority mortgage rates nominally three years 11⅛ per cent; four years 11½ per cent; five years 11⅝ per cent. ⊕ Bank bill rates in table are buying rates for prime paper. Buying rate for four-months bank bills 9²³⁄₃₂ per cent; four months trade bills 10³⁄₃₂ per cent.

Approximate selling rate for one month Treasury bills 9²³⁄₃₂ per cent; two months 9½-9¹¹⁄₃₂ per cent and three months 9-⁵⁄₁₆-9¹¹⁄₃₂ per cent. Approximate selling rate for one month bank bills 9½ per cent; two months 9⁷⁄₁₆ per cent and three months 9⅜ per cent; trade bills 9²⁹⁄₃₂ per cent; two months 9¹³⁄₁₆ per cent and three months 9¾ per cent.

Finance Houses Base Rate (published by the Finance Houses Association) 10 per cent from August 1, 1983. London and Scottish Clearing Bank Rates for lending 9½ per cent. London Deposit Rates for sums at seven days' notice 6 per cent.

Treasury Bills: Average tender rates of discount 9.3291 per cent. Certificates of Tax Deposit (Series 6). Deposits of £100,000 and over held under one month 9½ per cent; one-three months 9¾ per cent; three-six months 10¼ per cent; six-12 months 10½ per cent. Under £100,000 9½ per cent from July 20. Deposits held under Series 4-5 9¾ per cent. The rates for all deposits withdrawn for cash 8 per cent.

## INTEREST RATES

### EURO-CURRENCY INTEREST RATES

(Market closing rates)

| Aug. 26 | Short term | 7 days notice | Month | Three Months | Six Months | One Year |
|---|---|---|---|---|---|---|
| Sterling | 9½-9¾ | 9⅝-9¾ | 9⅝-9¾ | 9¾-9⅞ | 10⅛-10¼ | 10⅜-10½ |
| U.S. Dollar | 9⅜-9⅝ | 9½-9¾ | 9⅝-9⅞ | 10¹⁄₁₆-10³⁄₁₆ | 10⁵⁄₁₆-10⁷⁄₁₆ | 10⅝-10⅞ |
| Can. Dollar | 9-9¼ | 8¾-9½ | 8¹⁵⁄₁₆-9¹⁄₁₆ | 9¼-9½ | 9¾-10 | 10¼-10½ |
| D. Guilder | 5¾-6 | 5¾-6 | 5⅞-6 | 6¹⁄₁₆-6³⁄₁₆ | 6⅜-6½ | 6⅝-6¾ |
| S. Franc | 1¾-2 | 7-7¼ | 4½-4⅝ | 4⅝-4¾ | 4⁹⁄₁₆-5¹⁄₁₆ | 4⅞-5 |
| Deutschm'rk | 4¹³⁄₁₆-5¹⁄₁₆ | 5-5⅛ | 5³⁄₁₆-5⁵⁄₁₆ | 5⁷⁄₁₆-5⁹⁄₁₆ | 5⁹⁄₁₆-5¹¹⁄₁₆ | 6¼-6⅜ |
| Fr'nch Franc | 12-12¼ | 12⅜-12⅝ | 13⅛-13⅜ | 15-15¼ | 16½-16¾ | 16⅜-16⅞ |
| Italian Lira | 15½-16½ | 15½-17 | 17-17½ | 17⅝-18⅛ | 18⅝-19⅛ | 19⅜-20⅛ |
| Belg. Franc Conv. | 9½-10 | 9½-9½ | 9½-9 | 9¼-9¾ | 9¾-10¼ | 10-10½ |
| Belg. Franc Fin. | 9¼-10 | 9⅞-9⅛ | 9⅝-9⅞ | 9-9¼ | 9½-9¾ | 9⅞-10⅛ |
| Yen | 6⅝-6¾ | 6½-6⅝ | 6½-6⅝ | 6⅝-6¾ | 6⅝-6¾ | 6¹¹⁄₁₆-6¹³⁄₁₆ |
| D. Krone | 11⅞-12⅜ | 8⅝-9⅛ | 9¾-10¼ | 9⅝-9⅞ | 9⅞-10⅜ | 10½-11 |
| Asia $ (Sing.) | 9½-9⅝ | 9⁹⁄₁₆-9¹¹⁄₁₆ | 9¾-9⅞ | 10¹⁄₁₆-10³⁄₁₆ | 10⅛-10⅝ | 10¹¹⁄₁₆-10¹³⁄₁₆ |

### FT LONDON INTERBANK FIXING

(11.00 a.m. AUGUST 26)

| 3 month U.S. dollars | | 6 month U.S. dollars | |
|---|---|---|---|
| bid 10 1/16 | offer 10 3/16 | bid 10 7/16 | offer 10 9/16 |

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

### MONEY RATES

**NEW YORK**

| | |
|---|---|
| Prime rate | 11 |
| Fed funds (lunch-time) | 9⅜-9½ |
| Treasury bills (13-week) | 9.26 |
| Treasury bills (26-week) | 9.40 |

**GERMANY**

| | |
|---|---|
| Lombard | 5.0 |
| Overnight rate | 5.025 |
| One month | 5.425 |
| Three months | 5.65 |
| Six months | 6.075 |

**FRANCE**

| | |
|---|---|
| Intervention rate | 12.25 |
| Overnight rate | 12.125 |
| One month | 12.3125 |
| Three months | 12.3125 |
| Six months | 12.4375 |

**JAPAN**

| | |
|---|---|
| Discount rate | 5.5 |
| Call (unconditional) | 6.46875 |
| Bill discount (3-month) | 6.71875 |

**SWITZERLAND**

| | |
|---|---|
| Discount rate | 4 |
| Overnight rate | 1½-2½ |
| One month | 4⁷⁄₁₆-4⁹⁄₁₆ |
| Three months | 4⅝-4¾ |

**NETHERLANDS**

| | |
|---|---|
| Discount rate | 4½ |
| Overnight rate | 5⅜-5¼ |
| One month | 5¾-5⅞ |
| Three months | 6-6¼ |
| Six months | 6⅛-6⅜ |

**$ CERTIFICATES OF DEPOSIT**

| | |
|---|---|
| One month | 9.60-9.70 |
| Three months | 9.80-9.90 |
| Six months | 10.20-10.30 |
| One year | 10.45-10.55 |

**LONG TERM EURO $**

| | |
|---|---|
| Two years | 11⅝-11⅞ |
| Three years | 12-12¼ |
| Four years | 12¼-12½ |
| Five years | 12⅜-12⅝ |

**SDR LINKED DEPOSITS**

| | |
|---|---|
| One month | 8²¹⁄₃₂-9¹⁄₃₂ |
| Three months | 9⅛-9½ |
| Six months | 9⁵⁄₁₆-9¹¹⁄₁₆ |
| One year | 9²³⁄₃₂-10³⁄₃₂ |

**ECU LINKED DEPOSITS**

| | |
|---|---|
| One month | 8⁷⁄₁₆-8¹³⁄₁₆ |
| Three months | 9¼-9⅝ |
| Six months | 9⅝-10 |
| One year | 10⅜-10⁷⁄₁₆ |

# WORLD VALUE OF THE POUND

The table below gives the latest available rate of exchange for the pound against various currencies on August 26 1983. In some cases rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

Abbreviations: (A) approximate rate, no direct quotation available; (F) free rate; (P) based on U.S. dollar parities and going sterling-dollar rates; (T) tourist rate; (Bas) basic rate; (bg) buying rate; (Bk) bankers' rates; (cm) commercial rate; (ch) convertible rate; (fn) financial rate; (exC) exchange certificate rate; (nc) non-commercial rate; (nom) nominal; (o) official rate; (sg) selling rate.

| PLACE AND LOCAL UNIT | | VALUE OF £ STERLING |
|---|---|---|
| Afghanistan | Afghani | 99.00 |
| Albania | Lek | 9.9990 |
| Algeria | Dinar | (A) 7.3235 |
| Andorra | French Franc | 12.05 |
| | Spanish Peseta | 226.40 |
| Angola | Kwanza | (OM) 48.684 |
| Antigua | E. Caribbean $ | 4.05 |
| Argentina | New Peso | 16.57 |
| [illegible] | [illegible] | [illegible] |
| Greenland | Danish Kroner | 14.4525 |
| Grenada | E. Caribbean $ | 4.05 |
| Guadaloupe | Local Franc | 12.05 |
| Guam | U.S. $ | 1.5015 |
| Guatemala | Quetzal | 1.5015 |
| Guinea | Syli | 35.20 |
| Guinea-Bissau | Peso | 62.75 |
| Guyana | Guyanese $ | 4.4925 |
| [illegible] | [illegible] | [illegible] |
| Peru | Sol | exe(A)2,888.03 |
| Philippines | Philippine Peso | 16.25 |
| Pitcairn Islands | £ Sterling | — |
| | New Zealand $ | 2.3070 |
| Poland | Zloty | 145.59 |
| Portugal | Portugu'se Escudo | 184.75 |
| Puerto Rico | U.S. $ | 1.5015 |
| [illegible] | [illegible] | [illegible] |

** Rate is the transfer market (controlled). †† Now one official rate. (U) Unified rate. Applicable on all transactions except countries having a bilateral agreement with Egypt and who are not members of IMF. (§) Based on gross rates against Russian rouble. (1) Essential goods. (2) Preferential rate for priority imports such as foodstuffs. (3) Non-essential imports and private sector applicants. (4) Preferential rate for public sector and essential imports. (5) Government controlled for non-essential imports. (6) Free rate for luxury imports, remittances of money abroad and foreign travel. (7) Parallel rate.

# FINANCIAL TIMES SURVEY

# West Germany BANKING, FINANCE AND INVESTMENT

The Federal Republic's financial markets responded to the recent change in government with some remarkable gains in most sectors. Lately, however, more sober assessments of the country's economic prospects have prevailed. There remain fundamental weaknesses in the system as a whole—such as the inadequacy of equity capital supply—which continue to limit its economic contribution.

## Post-election glow begins to cool

BY STEWART FLEMING in FRANKFURT

WEST GERMANY'S financial markets have been anxiously re-assessing the longer-term economic prospects for the Federal Republic during the past three months as the initial wave of euphoria which greeted Dr Helmut Kohl's Right-of-Centre coalition government has waned.

Easy assumptions that the Bundesbank's success in curbing inflation and eliminating a huge current account deficit would quickly be translated into a strengthening of the D-mark on the foreign exchanges and greater freedom to follow domestically orientated economic policies have had to be discarded. This month the D-mark slumped to a nine-year low of DM 2.74 against the U.S. dollar, helping to prompt co-ordinated intervention on the foreign exchanges by the world's central banks led by the Germans and the Swiss.

There has been mounting evidence, too, that Dr Kohl's election, far from ushering in a new bull market in the fixed-interest sector, signalled the cyclical low point for West German interest rates. Long-term bond yields have risen on average a full percentage point since March to almost 8½ per cent.

A few months ago the prospects for the financial markets looked much rosier in the eyes of many participants.

Rarely can a democratically elected leader have been blessed with the sort of welcome which West Germany's new Chancellor received. Share prices surged by 26 per cent from their August lows in the months leading up to the March general election which confirmed Parliament's decision in September 1982 to transfer power to the new coalition. By May and June of this year some indices had broken through into their all-time highs; gains were around 50 per cent from their August lows.

On the bond market too, spurred on by anxious moves by the Bundesbank to ease monetary policy more quickly and breathe some life into a flagging domestic economy, prices surged before the March election. Bond yields, which had hit 11¼ per cent in mid-1981, were just under 10 per cent at the beginning of 1982. Investors who caught the roller coaster ride then were showing big gains by March 1983 as the yield level headed towards the 7½ per cent mark.

Thus in a few brief months the mood of despair which gripped the business community a year ago as the electrical giant AEG-Telefunken had to turn to the courts for protection from its creditors, had been swept away.

It would of course be an over-simplification to suggest that the change of government was the only explanation for the spreading optimism. But after 13 years during which West Germany had been ruled by a Centre/Left coalition, a period which saw government's share of national income rising steadily as the share of corporate profits sank, the significance of the shift in Bonn should not be underestimated either. West German businessmen who had watched with admiration as Mrs Margaret Thatcher had re-ordered Britain's political priorities and with horror at France's experiment in Socialism had no doubts where their sympathies lay.

The financial markets in Germany had decided long before the collapse of Mr Helmut Schmidt's government in September of last year that it was paralysed by internal dissension and exhausted after its long years in office. Thus even though it had taken steps to curb the structural budget deficit, the moves were judged in financial circles to be lacking in conviction.

By contrast, in the field of economic policy the new centre-right coalition was seen to have both sufficient cohesion and energy to force its policies through. Those policies, moreover, were, broadly speaking, what the financial community had been calling for. They include measures aimed at boosting the share of profits in national income, not just cyclically but through a long-term redistribution of income back to the corporate sector. They include steps to curb government spending, which had risen from 40 per cent of Gross National Product in 1970 to 51.5 per cent in 1982.

So when Finance Minister Herr Gerhard Stoltenberg presented the Cabinet's plans for the 1984 Budget earlier this year, proposals to limit increases in nominal expenditure to 2 per cent, to keep the Federal borrowing requirement around the DM 40m level and to trim back transfer payments were welcomed. More recently, however, some economists—the Ifo economics institute in Munich, for example — have been expressing fears that budget policy could be too restrictive in 1984 and cramp the economic recovery.

These positive developments in the field of fiscal policy have been matched by both mounting evidence that the worst of the three-year recession is over. GNP in the first half of the year is expected to show a modest plus in real terms, backed by the strong upturn in the construction sector, particularly the housing market, and rising consumer spending, particularly on cars.

There are still doubts, however, about how sustainable the upswing will be, for it has been accompanied by a cut in the savings ratio which is not expected to continue and has not been accompanied by strong evidence which would suggest that either capital investment or export sales will give the economy a shot in the arm strong enough to offset the stagnation of consumer incomes or the drag of budget consolidation measures. Many economists would be pleased to see a 1 per cent real growth of GNP in 1983 and a 2 per cent rise in 1984—figures which would not, however, halt the upward drift of unemployment to seasonal peaks of over 3m.

For the financial markets modest growth is much better than no growth at all, however, especially since it is being accompanied up to now by evidence of a healthier trend in corporate profits and a marked cooling of inflationary pressures, both of which can be traced back in part to the low (3 per cent) wage round at the beginning of this year.

The Bundesbank's rigorous efforts in 1981 to curb inflation and eliminate the current account deficit have both borne fruit. The year-on-year inflation rate is currently running around 2½ per cent and the current account, which showed a DM 8bn surplus in 1982 after a DM 14bn deficit in 1981, is expected to remain well in the black in 1983 despite worrying signs that the Federal Republic may not have curbed its growing propensity in recent years to import an ever higher percentage of finished manufactured products.

It was the encouraging trends in inflation and the current account in 1982 which allowed the Bundesbank scope to press ahead consistently from October 1981 until March this year with a relaxation of monetary policy which took its key Lombard lending rate—the rate it charges for secured overnight loans to the banks—from the crisis peak of 12 per cent in 1981 to the 5 per cent level set at a controversial meeting of its council in March.

This rapid fall in interest rates was nowhere more enthusiastically welcomed than in the boardrooms of West Germany's hard-pressed banking industry. The period between late 1979 and early 1981 was a nightmare period for large segments of a banking industry which had not reckoned with a sharp rise in interest rates and certainly not anticipated the gathering international debt crises. While the West German banks have been relatively less exposed in Latin America than their U.S. competitors the sovereign risk lending crises, coupled with a protracted domestic corporate bankruptcy wave, would have left some banks looking very, very sick indeed if they had not been able to strengthen their balance sheets and their loan loss provisions from the record—according to the Bundesbank—operating profits they earned in 1982 and the first half of 1983.

CONTINUED ON NEXT PAGE

### TOP BANKS IN THE WORLD AND WEST GERMANY
(1982 rankings)

| | | Assets (less contra accounts) $m | Deposits $m |
|---|---|---|---|
| 1 | Citicorp (U.S.) | 120,680 | 76,538 |
| 2 | BankAmerica Corp (U.S.) | 115,242 | 94,342 |
| 3 | BNP (France) | 109,944 | 92,354 |
| 4 | Credit Agricole (France) | 98,507 | 79,832 |
| 5 | Credit Lyonnais (France) | 96,735 | 92,450 |
| 6 | Barclays (UK) | 95,328 | 83,807 |
| 7 | National Westminster (UK) | 87,967 | 81,040 |
| 8 | Dai Ichi Kangyo (Japan) | 86,925 | 69,133 |
| 9 | Societe Generale (France) | 85,742 | 74,654 |
| 10 | Fuji (Japan) | 83,744 | 65,735 |
| 11 | Deutsche Bank | 83,394 | 77,247 |
| 22 | Dresdner Bank | 57,608 | 54,222 |
| 26 | Westdeutsche LB | 55,770 | 53,431 |
| 39 | Commerzbank | 45,108 | 43,219 |
| 42 | Bayerische Vereinsbank | 44,369 | 41,124 |
| 50 | Bayerische Landesbank | 39,710 | 37,700 |
| 54 | Bayerische Hypotheken | 38,743 | 37,270 |
| 66 | DG Bank | 29,090 | 17,208 |
| 76 | Norddeutsche Landesbank | 24,417 | 23,448 |
| 77 | Hessiche Landesbank | 24,188 | 23,180 |

Source: The Banker.

## CONTENTS

# Subtle timing of moves in monetary policy

## Bundesbank

STEWART FLEMING

A CENTRAL BANK which encourages a rapid decline in interest rates during a period *when international confidence* in the nation's currency is growing and domestic inflation falling sharply is almost certain to be popular with the financial sector. The Bundesbank, the West German central bank, is no exception.

Over the past year, as the benefits from the severe monetary squeeze it created in 1981 have bgun to show up in the form of a rapidly falling inflation rate, a rising current account surplus and overall a strengthening currency, the thrust of monetary policy shifted firmly in the direction of stimulating the economy. As the central bank says in its 1983 annual report "in its monetary policy [the Bundesbank] did not need to give the same consideration to external *problems in 1982 as in 1981:* in other words, it could pay greater regard to the weakness of domestic economic activity."

The shift in priorities became most marked in the second half of 1982 when (contrary to its *own over-optimistic projections)* the German economy began to slide deeper into recession as export demand tailed off instead of beginning the slow recovery which was widely expected.

Thus between last August and March this year the central bank cut the Lombard rate at which it lends overnight money to the banks no less than four times, each time by a full percentage point. The cuts, which contrasted sharply with the cautious easing of official rates in the previous nine months, brought the Lombard rate down to 5 per cent, and contributed to a rapid acceleration in *monetary growth.*

By last month the central bank money stock, the key money indicator, was running at an annual rate of 10 per cent, fully three percentage points above target, a rate of expansion which has forced the financial markets to begin asking themselves, as bond rates have risen again, whether the cyclical low in domestic interest rates has now been reached.

With its determined anti-inflationary monetary policy in 1981 and the rapid loosening of the monetary reins in the second half of 1982 and early 1983 the Bundesbank has helped to create conditions favourable to a revival, albeit gradual, in domestic economic activity in 1983 and 1984. Whether the recovery comes on schedule this time, and whether it will be as strong as some are hoping, is still far from clear.

Weakening export demand—and exports account for around a third of Gross National Product—remains a serious threat to the upturn. Export-led growth, such as West Germany has experienced in all previous *post-war* cyclical *upturns,* can be ruled out this time.

But it is not just a solid basis for economic recovery from a low (under 3 per cent) inflation rate that the central bank has helped to create. The stabilisation of costs and of the currency has helped to halt the slide in corporate profits which, together with declining interest rates, has eased the financial tensions in the corporate sector.

The financial sector too has been able to breathe a sigh of relief. In 1982 the nation's banks, the core of the financial system, where able to make the most of a fall in interest rates of over four points in short rates and two full points in bond yields to boost dramatically their interest earnings on loans and the securities earnings in the bond markets.

The profits turnaround at the banks was badly needed. In 1980 and 1981 major commercial banks such as Commerzbank and Dresdner Bank had paid a heavy price as a result of ill-judged interest rates speculation in their liability and asset management, seeing their capital ratios squeezed and their *dividends cut as a result. Some* West German banks would have been in a sorry state indeed if they had had to start making provisions against sovereign risk loans without the benefit of 1982's interest rate induced operating profits *surge. As it* was they were able to begin the process of putting aside massive loan loss provisions against foreign risks, and of absorbing the losses of close to DM 2bn on the financial collapse of AEG-Telefunken.

If the Bundesbank's monetary policy has provided some banks with a much needed breathing space, the Bundesbank, maintaining its independence from the banks, has kept the pressure on for a tightening of capital adequacy requirements. Moreover, it has only nudged the banks gently into awareness of their responsibilities towards the international financial system in terms of supporting rescue packages for developing countries and providing against rescheduled debts. The responsibility for taking decisions has been left clearly with the banks themselves, hence the differences between banks in Munich and Bavaria over what to do about inter-bank lines to countries such as Brazil. The Bavarian banks have in general wanted to cut them.

Domestically too the Bundesbank has kept its independence intact. During the tricky period when the Social Democratic-led coalition government fell in the autumn of 1982 and the election of a Right-of-centre-led Government in March, the Bundesbank timed its monetary policy moves subtly. The impression was avoided that it favoured one side or the other but the much needed monetary relaxation, which no doubt helped elect a now ruling coalition, was pursued.

This political sensitivity has helped to strengthen the *reputation of Herr Karl Otto Pöhl,* the central bank president, who took office at the beginning of 1980 amid suspicions that his Social Democratic Party background might prejudice the Bundesbank's independent role. In the event some of the harshest criticism of Herr Pöhl was to be heard among his old political allies.

This is not to suggest that the Bundesbank is hand in glove with the financial sector. Already the banks are restless about the central bank's attitude towards the excessive growth of the money supply, fearing that the tightening of liquidity in the past four months could presage more aggressive monetary measures later in the year. With real growth of only 1 per cent *expected for the year—and* even that far from certain—the central bank will want to move cautiously,

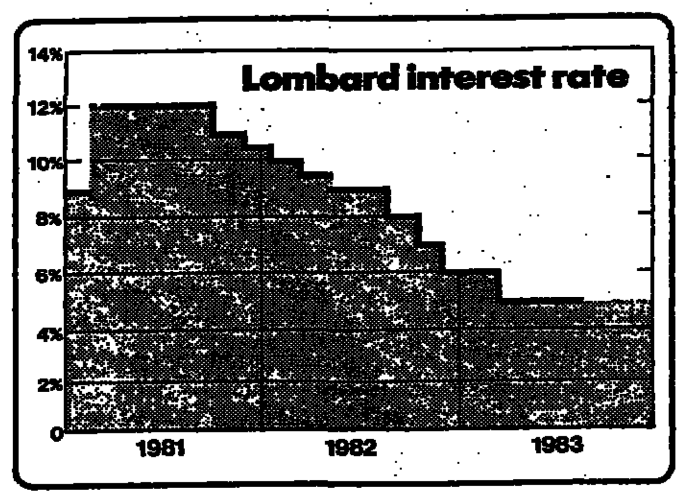
But as the mark has fallen against the dollar to new lows this year in the past few weeks it has become clear that U.S. interest rates are again exercising a considerable influence on the German markets and posing difficult monetary problems for the Bundesbank, which has already been forced to tighten liquidity.

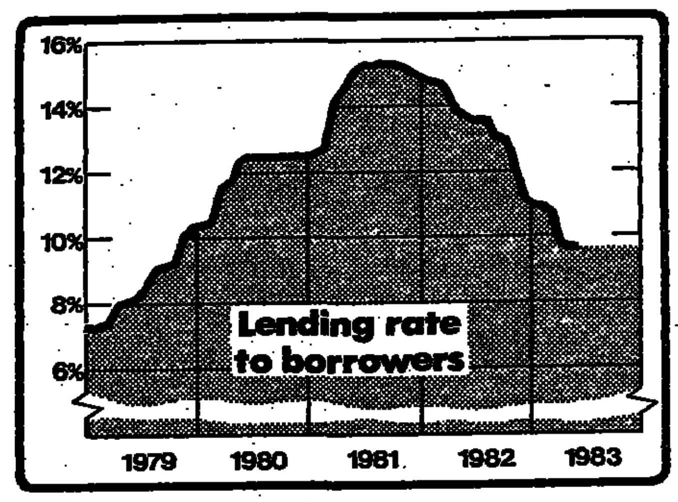
In the international arena as well as at home, the central bank's policymakers have been emphasing the virtues of financial discipline. The Bundesbank's is a voice which carries considerable weight since it shares the direct responsibility for the Federal Republic's membership and subscriptions to the International Monetary Fund (IMF) as well as being of course a member of the Bank for International Settlements,

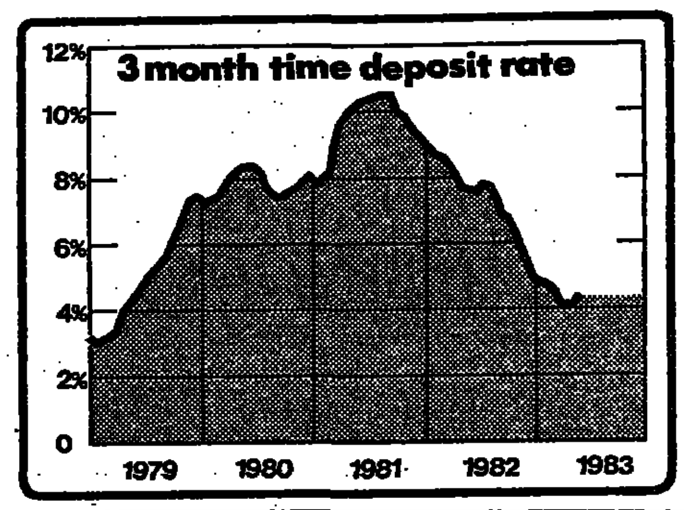
*In its annual report this year* the Bundesbank made no bones about the importance it attaches to adjustment and financial discipline in those developing countries like Mexico, Brazil and Argentina which have allowed their financial affairs to get out of control. It talks of "strict observance" of IMF conditions, emphasises that "the main efforts must of course be undertaken by the debtor countries themselves," and underlines that "the IMF must not be tempted by the debtor countries or the commercial banks to take over a part of the outstanding debts."

In staking out its position emphasising financial stability the central bank has, however, been pragmatic on other fronts. *In March of this year, as much* to placate the French and weaken French protectionist tendencies as for domestic policy reasons, the Bundesbank cut its leading domestic interest rates by a full percentage point, a controversial move within the Bundesbank itself, which contributed however to agreement on the realignment of the European Monetary System, helped to keep France in the EMS and blunted French protectionist sentiments.

Whether it pays off in the longer term remains to be seen, for already the debate about when and whether a new franc devaluation will be needed has begun in Paris. With exports from Germany weakening, a further revaluation of the Mark *is scarcely something German* industrialists would welcome.




# Post-election glow begins to cool

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To a very considerable extent the sharp improvement in operating earnings in this period reflected the banks' determined exploitation of a *favourable falling* interest rate environment which allowed them both to widen their margins on lending and to profit handsomely from bond trading activities.

That the gains in operating profitability did not funnel through into net profits or the itchy fingers of their shareholders reflected the determination of the banks to build up their loan loss provisions and come to terms with the massive loan loss write-offs required by the domestic bankruptcy wave. Although West German banks have taken different views on the controversial issue of restoring money market lines to Brazil, in common with their peers around the world the big international banks have recognised that it is in their self-interest to support the sovereign risk rescue packages. As Dr Walter Seipp, chief executive of Commerzbank, puts it: "basically there is a *clear understanding among the* banks that the banking sector has to play its role in the rescue programmes in full co-operation with the IMF as a supranational policeman."

The easing of tensions in the West German financial markets over the past year has left many German bankers with the feeling that they have learnt some hard but important lessons in the past three troubled years. Partly under the influence of an anticipated toughening of capital adequacy requirements the banks are paying much more attention to profits rather than assets growth, for example and there has at many banks been a cautious shift of emphasis in international business towards increasing exposure in Asia and looking much more carefully at the North American markets.

The banks realise, however, that the easy profit gains resulting from the cyclical *interest rate downturn may well* be over. A domestic economic upswing and stronger credit demand could, however, materialise and offset some narrowing in lending margins.

What is still lacking in the financial sector, however, is a critical appreciation of the immaturity of West Germany's financial markets as a source of equity finance and the extent to which correcting this historically determined deficiency will require more than tinkering with the Federal tax system.

These deficiences have not been exposed primarily by the much commented upon absence of an effective venture capital market—at best, even in the U.S. venture capital makes an important but by no means decisive contribution to industrial innovation and thus long-term economic growth. A much more important factor is the primitive West German stock market which plays a *negligible role as a source of* new equity for companies. Partly because of archaic accountancy *standards* and profound conservatism, the Stock Market also plays a limited role in promoting the efficient distribution of new equity between the successful and less successful companies. It thus slows down the *process* of industrial change and protects managements which have failed to keep abreast of the competition.

In their structure and traditions West Germany's financial markets remain deeply under the influence of the problems posed by post-war economic reconstruction rather than the world-wide competition and technological change which is staring West-German industry in the face.

# WEST GERMAN BANKING III

## Surprises for shareholders

### Commercial banks

STEWART FLEMING

SHAREHOLDERS in West Germany's major commercial banks have every reason to be scratching their heads in astonishment at the reports they received at their annual meetings from the chief executives of the companies they own.

On the one hand there was all this talk about dramatic increases in profits; in some cases there had been hints that 1982 was the bank's most profitable year ever. But where were the increased dividends? Why then were banks like Commerzbank and Dresdner still unable to restore the dividend cuts of the previous two years? How was it that even Deutsche Bank, which everybody knows has been the most consistently profitable bank of all over the past three years (to the embarrassment of its rivals), was actually reporting lower after tax profits despite strong earnings gains at the pre-tax operating level?

As the accompanying table shows there can be no question that in terms of interest (and also undisclosed securities trading income) bank profits improved substantially last year from the modest levels of 1981. It could scarcely have been otherwise. The rapid fall in West German interest rates engineered by the Bundesbank gave the banks a heaven-sent opportunity. They were able to cut their lending rates more slowly than their funding costs, partly simply by shrewd timing of price changes, partly by shifting their funding towards cheaper sources of money while concentrating their lending on shorter term more expensive loans.

Thus even though bank lending overall grew by only 5.5 per cent (and rather more slowly at most commercial banks — Deutsche Bank reported its lowest credit growth for twenty years) interest earnings and interest margins soared. Those banks burdened with loss-making portfolios of low fixed interest loans from the late 1970 were also able to start funding these loans at a profit and thus got an extra boost.

Falling interest rates in the bond market, where yields on Government bonds declined from just under 10 per cent to just under 8 per cent, also meant that the banks were able to chalk up big profits on their securities portfolios as well as dealing profits on their trading and new issue business. Even though some of the big percentage gains in operating profits reflected recovery from depressed 1981 levels, there can be no doubt that operating earnings overall left little to be desired.

Banks such as Deutsche Bank and Bayerische Vereinsbank, where there was little or no recovery element in earnings, both reported big gains in operating income. Deutsche Bank, for example, said that its operating earnings, excluding securities dealing, rose 16.4 per cent in the parent company alone to DM 1.79bn in 1982.

The other side of the coin, however, is that against the big operating income gains there were heavy loan losses—close to DM 2bn on the collapse of AEG Telefunken alone, one of 12,000 corporate bankruptcies reported in West Germany in 1982 compared with only 8,000 in 1981. Then there were the loan losses and provisions on international corporate business, not to mention provisions against sovereign risks such as Mexico, Brazil, and as ever, Poland.

Shareholders are not to be blamed for not really being able to assess the significance of the massive increases in loan loss provisions the banks made last year (see table), for the banks themselves have been deliberately trying (as usual) *not* to keep their owners fully informed. A recent study of west German bank accounting by ICBA Bank Analysis of London provides an excellent guide as to how German banks are able to doctor their loan loss figures so as to make their accounts uninformative. Thus, for example, the disclosed provisions figure can be, and usually is offset against securities trading profits before it is published. It is never made clear what are provisions against future risks and what are actual losses.

Thus the banks have been able to play a double game. On the one hand they have been able to boast about their high operating profitability, propaganda which at a time of serious tensions in the world's financial markets helps to boost confidence in West German banking.

On the other they have been able to increase loan loss provisions sharply, a step which also tends to reinforce international confidence but which sharply reduces disclosed earnings and so reduces too the pressure on the banks to increase their distribution to shareholders.

At a time when banks are facing not only the need to write off international and domestic loan losses but also to maximise retained earnings because they face the prospect of stricter domestic capital adequacy ratios, the banks' determination to keep shareholders at the end of a long queue when it comes to dividing up profits *is* understandable. In comparison with, say, U.S. banks it does, however, appear that West German banks are being much more conservative and wiser in the way they are putting aside funds to cover prospective loan losses, particularly on international business. The Bundesbank, for example, has indicated that it is happy with the banks' provisions policies.

Such a bold statement needs some qualifying. The provisions figures, published and unpublished, have increased—and sharply—at all banks. In some cases this reflects a conservative assessment of future risks; in others it probably reflects as much heavy actual losses on lending to companies such as AEG-Telefunken, Korf group, and other domestic and international corporate failures. Some banks are almost certainly doing some catching up in their provisions policy, putting reserves aside in 1982 which they were unable to do in 1981 because they were not profitable enough.

For all these reasons, aside from the uncertainty surrounding the outlook for the world's financial markets, assessing the underlying profitability of the banks is close to impossible.

What can be said with confidence, however, is that the experience of the past three years has made the average banker a sadder but wiser man. Profit consciousness has increased dramatically — a development which can be seen not only in the shifts in the structure of the banks' liabilities in search of cheaper and more varied sources of funds but also in the general shift last year towards more profitable shorter term lending.

Above all, asset growth has tailed off and in some cases come to a virtual halt, reflecting partly restraint in international markets (both in interbank and company and corporate lending) as well as at home. Indeed, privately some bankers are beginning to wonder of the pendulum has swung too far and suggest that perhaps too much attention is being paid to profitability and too little to market share. The contrast with the frantic asset growth of the 1970s when several West German banks tripled, even quadrupled their assets, could not be more complete, however.

**PERFORMANCE OF COMMERCIAL BANKS**

| | Total assets (DM bn) | | Loans (DM bn) | | Interest income (DM m) | | Provisions† (DM m) | |
|---|---|---|---|---|---|---|---|---|
| | 1981 | 1982 | 1981 | 1982 | 1981 | 1982 | 1981 | 1982 |
| Deutsche Bank | 192.4 | 199.2 | 138.8 | 144.8 | 4,127.0 | 4,703.0 | 1,192.1 | 1,703.6 |
| Dresdner Bank | 131.5 | 137.4 | 107.4 | 108.8 | 1,724.0 | 2,056.6 | 158.6 | 401.4 |
| Commerzbank | 101.3 | 108.2 | 74.4 | 81.7 | 1,230.0 | 1,696.0 | 215.6 | 706.4 |
| Bayerische Vereinbank | 98.3 | 105.5 | 88.8 | 83.7 | 1,412.0 | 1,210.0 | 165.6 | 346.3 |
| Bayerische Hypobank | 89.2 | 92.0 | 71.0 | 74.4 | 1,372.0 | 1,046.0 | 105.4 | 397.5 |

† Provisions: Disclosed loan loss provisions, write-offs and value adjustments.

**WEST GERMAN DOMESTIC LENDING**

(Percentage shares)

| | 1977 | 1978 | 1979 | 1980† | 1981 | 1982 |
|---|---|---|---|---|---|---|
| **Commercial banks:** | | | | | | |
| Loans to companies | 33.1 | 32.3 | 31.3 | 31.3 | 30.4 | 30.1 |
| Loans to individuals | 27.2 | 26.6 | 25.7 | 23.5 | 22.3 | 21.8 |
| Housing loans | 11.0 | 11.9 | 13.2 | 13.1 | 12.8 | 12.9 |
| **Landesbanks:** | | | | | | |
| Loans to companies | 15.4 | 15.0 | 14.3 | 14.4 | 14.1 | 14.0 |
| Loans to individuals | 1.9 | 1.1 | 1.1 | 1.7 | 1.9 | 2.3 |
| Housing loans | 13.7 | 13.1 | 12.2 | 11.5 | 11.4 | 11.3 |
| **Savings banks:** | | | | | | |
| Loans to companies | 19.2 | 19.6 | 20.7 | 21.9 | 22.6 | 22.7 |
| Loans to individuals | 34.0 | 35.4 | 36.1 | 37.2 | 37.5 | 37.6 |
| Housing loans | 27.6 | 27.9 | 28.4 | 27.6 | 27.5 | 27.5 |
| **Co-operative banks:** | | | | | | |
| Loans to companies | 12.0 | 12.7 | 13.6 | 14.2 | 14.9 | 15.1 |
| Loans to individuals | 22.4 | 23.2 | 23.7 | 24.0 | 24.2 | 24.5 |
| Housing loans | 10.7 | 11.2 | 11.9 | 12.1 | 12.4 | 12.4 |

† Figures not precisely comparable with earlier years because of statistical adjustments.

Source: West German Savings Banks' Association.

## Fierce debate over likely reforms

### Regulation

STEWART FLEMING

WEST GERMAN bankers did not have to wait long after the general election in March to find out what the new conservative/liberal coalition Government planned to do about the controversial issue of the reform of banking law.

Early in June Herr Gerhard Stoltenberg, the Finance Minister, resolved the biggest question mark by announcing that the Government did indeed intend to press ahead with drafting a new banking law which, he said, would be published in the autumn. With this statement it seems that the banking industry's efforts to postpone for as long as possible the dread day when they will have to submit consolidated accounts to the bank supervisors and also meet capital adequacy requirements on a consolidated basis are exhausted. Some observers are suggesting that by as early as next year banking reform could be on the statute book. The big question still to be answered, however, is what fundamental changes in regulation will emerge.

The debate about reform of the banking law has dragged on for years, sparked initially by the collapse of the Herstatt Bank in June 1974. The Herstatt case led in short order to some modifications of banking law in particular in the area of foreign exchange dealing regulations, and intensified the controversy about the power of the banks in the economy. At one stage it seemed that the Social Democratic led coalition Government under Chancellor Helmut Schmidt would indeed press ahead with a sweeping reform of banking law which, among other things would have required the banks to reduce their holdings of industrial company shares.

That issue has long disappeared from the active agenda, partly because banks such as Commerzbank and Dresdner Bank were forced by their poor profits between 1979 and 1982 to realise reserves through selling some of their strategic shareholdings, but also because it is recognised that some hard-pressed German companies need all the friends they can find after the Federal Republic's deepest and most protracted post-war recession.

On the contrary, in to-day's circumstances it is not hard to imagine banks coming under pressure to do more to help companies, particularly high technology firms, to find equity capital.

While a radical reform of the banking law aimed at reducing the *power* of the banks, can now be ruled out, the changes which are expected, or feared, are radical enough to be sparking a vigorous, and at times, heated debate, between the banks and the supervisors and between the various banking groups. The centre of the controversy is the application of Germany's rigorous capital adequacy rules to the banks' consolidated accounts rather than — *as is the case today* —only to the accounts of the (smaller) German parent company.

Nobody is under any illusions that were banks required to meet today's capital rules on a consolidated basis over night, many well known names would suddenly find that they did not have enough capital to conduct the volume of business already on their books, never mind expand.

Indeed this is one of the major aims of the banking supervisors, who have been growing increasingly concerned about the steady erosion of the banking industry's capital base, which they want to see beefed up. The other aim of the proposals from the supervisors, to require the submission of consolidated accounts, is to provide them with more information about the banks' international activities, operations which have been carried out to a considerable extent by subsidiaries in places like Luxembourg and which, legally, the West German bank supervisors have no right to demand information.

Some two years ago the manifest absurdity of a Banking Law which required the bank supervisors to monitor giant international banks like Deutsche Bank without information about the tens of billions of D marks of international business it did through foreign subsidiaries was conceded by the banking industry itself. It accepted the principle of supervision on a consolidated basis.

But partly in an effort to blunt and delay the impact of change, first the commercial and co-operative banks and then other banking groups concluded a voluntary "gentleman's agreement" with the Federal Supervisory Office in Berlin.

The gentleman's agreement, however, has really satisfied nobody. The supervisors want to see the banks required to meet the stiffer capital adequacy requirements implicit in consolidated accounting, and not just simply to know which banks cannot meet the rules.

The commercial banks feel that the existing law providing that assets must not be more than 18 times capital is too restrictive. They argue that they need a higher multiple and an extensive transition period (at least five years) before being forced to meet such requirements on a consolidated basis. Otherwise it is claimed they will have to curb their credit granting activities to the domestic sector, which will be damaging to the economy.

For its part the Bundesbank has made it clear that it does not accept this argument. In a recent analysis of bank profits it has pointed out that over the past year and a half the banks have been putting aside record earnings and have been making good both the losses of the past and the need to strengthen their loan loss reserves.

Behind the scenes intensive lobbying is now under way aimed at influencing the shape of draft legislation. The commercial banks in particular face the dilemma of needing on the one hand to report profits good enough to prepare their shareholders for new capital issues and on the other not so good that they destroy their arguments about the burden of the new capital adequacy rules.

In comparison with their rivals in the U.S., in particular, however, the German banks have escaped very lightly in terms of tighter supervision, from the mismanagement of their balance sheets and over-exposure to foreign risks. There seems to be very little sign that they will be required to disclose more about their affairs to their shareholders and the public, for example. Moreover, looking at the shape of planned U.S. legislation, any arguments to suggest that they are being put at a competitive disadvantage as a result of consolidation will be hard to justify.

# Now a major force in retail banking

## Co-operative banks

MARGARET HUGHES

WHILE the savings banks have effectively seen off the competition from the commercial banks—to the extent that the big banks have gained a relatively small share of the market and are having some difficulty even in hanging on to it—the co-operative banks have been a more dynamic competitor. Although first established in the past century it is only since the merger in 1972 of the agricultural co-operatives, the *Raiffeisen*, and the urban co-operatives, the *Volksbanken*, that they became a major force in retail banking. A further boost came when a few years later they were permitted to extend loans to non-members.

Over the past 30 years, and more especially since 1972, a series of mergers has reduced the number of co-operatives from over 26,000 to a current total of 3,823. In the process the size of each has increased so that the average balance-sheet total is now some DM90m and some 30 employees. Membership has also increased, doubling over the past 10 years to 2,500 members per co-operative. None the less the individual co-operative bank is much smaller than a savings bank and serves a much smaller area which they claim give them greater flexibility and independence than their competitors.

Their strength lies in their very big branch network, which is the most concentrated in Europe with 15,979 branches and 19,802 outlets. An additional strength is their direct access to retail customers through their 9.5m member which provides their capital and sit on their supervisory boards.

Set up initially to provide financial assistance to workers on the land in the case of the *Raiffeisen* (named after the founder) and joiners and shoemakers in the case of the *Volksbanken* (people's bank) their main activity now is in the collection of savings from farmers, artisans, the self-employed and also increasingly the middle classes. These savings account for 60 per cent of their deposit base. On the lending side their main customers are small to medium-sized companies and again the self-employed where they have nearly 15 per cent of the market.

Through their nine regional banks, the *Zentralkassen*, much along the lines of the savings banks, they are able to operate as universal banks. The largest of these, the DG Deutsche Genossenschaftbank of Frankfurt, is the eighth largest bank in West Germany. It does a lot of international business, including syndicated loans and is able to issue its own bonds on the West German capital market.

The co-operative banks also own one of the largest mortgage banks and one of the largest building and loan associations.

Regarded for so long as the "sleeping giants" of the West German banking community, the co-operatives have gone from strength to strength once they "woke up" and started exploiting their latent potential. They have gradually built up, and still building, their market share to the point where they now have 22.6 per cent of the banking community's balance sheet total, against only 5.6 per cent in 1960. They are running neck and neck with the commercial banks in the deposits market, with 26.8 per cent of the total, and have 23.3 per cent of the loans business.

Last year they continued to put in above-average performances and increase further their share of the retail banking business. The rise in their balance sheet total was less than in the previous three years but was still up 9 per cent on 1981, increasing their market share by 0.6 per cent. Their deposits were up 10 per cent and credits by 6.4 per cent increasing their market shares by 0.8 per cent and 0.3 per cent respectively. The Co-operative Banks Association (DGRV) is predicting higher growth rates this year.

Although they will be adapting their operation to the new electronic technology the co-operative banks retain their commitment to their branch network, which represents over 44 per cent of all bank outlets in West Germany. They view *their branch network* as an appreciating asset as their competitors concentrate more and more on promoting the quality of their service. The co-operatives emphasise the human touch through the contacts which they have via the co-operative associations, sports clubs and other local associations.

Although the commercial banks are perhaps suffering most from the co-operatives' inroads—they now have 25 per cent of the current account market and 23 per cent of the cheque cards in issue—the savings banks are not immune either. The emergence of the co-operatives has, at the very least, curbed their own growth. A measure of the competition which they feel from the co-operatives are the various new savings schemes which they introduced in the past few years, though competition from higher interest paying time deposits and bonds has been another factor.

The most recent innovation, the Golden Fund, offered by some savings banks, which pays rates close to money market rates if savings are kept in for one year, has aroused a good deal of controversy as banks see the cheap savings deposits which were once so attractive because of their relative cheapness becoming more and more expensive. Opinions are split even within the savings banks between those which agree with this argument and others who feel that their market share must be held on to at all costs, particularly with the threat of new competition looming.

### Competition

Moreover, while the savings banks may regard the co-operatives as fair, and almost equal, competitors (they still dispute the advantage which the co-operatives have under the regulation whereby permitted loan books are a multiple of equity capital) the same cannot be said for their attitude towards the Post Office. Their views are shared by both the co-operatives and commercial banks. All claim that the savings banks have over the past year or so become aggressive competitors, albeit from a low base.

The Post Office, which has two main financial arms — the Post Office Savings Bank and the postal giro — is keen to become a full-service bank. Its postal giro is already a cheap and effective competitor of the banks helped by the fact that the Government uses it to distribute pensions and other payments. Although some eight years late in joining it, it has since 1976 been a partner in the Eurocheque system. Herr Wolfgang Starke, general manager of the Savings Bank Association, says the invitation to the Post Office to join the system was a "grave mistake" for the credit industry since "it has given them the instrument for becoming bankers."

The Post Office is not allowed to make loans but since it has been able to offer its account holders a Eurocheque facility it has had to allow overdrafts to ensure that the cheques are not returned. A limit of DM 500 was set on this overdraft but the Post Office has now applied for permission from the postal authority to increase this to DM 2,500. An additional problem for the banks is the advantage which they feel the Post Office will have once home banking starts up since it will be based on the Post Office's telephone lines.

Their main argument against the Post Office is that with its monopoly of the post and telecommunications services it will not be operating on the same costs basis as the banks. In the banks' view it will be all too easy to disguise costs — even, they say, were the Post Office to know its costs — and offer cheaper banking services to the consumer.

As a sign of the increasingly competitive atmosphere some banks are becoming resigned to re-opening on Saturdays. The Post Offices are open on Saturdays and in some locations on Sundays, too. As Herr Starke comments wryly: "If the banks are serious in their emphasis on personal service, they will have to offer the customer what he wants, because if the traditional banks don't, someone else will soon be able to — and will."

**MARKET SHARE OF DOMESTIC DEPOSITS**
(per cent)

| | End-1980 | End-1982 |
|---|---|---|
| **Big commercial banks:** | | |
| Sight and time deposits | 13.4 | 12.1 |
| Savings deposits and bonds | 9.4 | 9.1 |
| Short-term loans | 16.3 | 15.5 |
| Medium and long-term loans | 7.3 | 6.2 |
| **Co-operative banks:** | | |
| Sight and time deposits | 12.6 | 14.8 |
| Savings deposits and bonds | 23.1 | 23.3 |
| Short-term loans | 18.7 | 18.9 |
| Medium and long-term loans | 9.8 | 9.9 |
| **Savings banks:** | | |
| Sight and time deposits | 17.8 | 18.7 |
| Savings deposits and bonds | 54.7 | 55.1 |
| Of which: | | |
| Savings deposits | 52.0 | 52.6 |
| Short-term deposits | 24.7 | 24.6 |
| Medium and long-term deposits | 23.0 | 22.6 |

Source: Savings Banks Association.

**CO-OPERATIVE BANKS' CREDIT BUSINESS**
(Market share per cent)

| | 1977 | 1978 | 1979 | 1980 | 1981 | 1982 |
|---|---|---|---|---|---|---|
| Loans to companies and self-employed | 12.0 | 12.7 | 13.6 | 14.4 | 14.3 | 15.1 |
| Loans to individuals | 22.4 | 23.2 | 23.7 | 24.2 | 24.2 | 24.5 |
| Housing loans | 10.7 | 11.3 | 11.9 | 12.4 | 12.4 | 12.4 |

Source: Savings Banks Association.

# In the forefront of new development

## Savings banks

MARGARET HUGHES

HISTORICALLY the savings banks have dominated the Federal Republic's retail banking. By law they are required to encourage savings and provide credit for the poorer members of society as well as finance the local community. Although this remains the cornerstone of their business they have over the past 50 years or so become full-scale commercial banks.

With some exceptions, they are not allowed to operate outside the regional boundaries of their guaranteeing local authority. Nevertheless, through their regional banks, the Girozentralen or Landesbanken, which act as clearing houses and liquidity managers to the savings banks, they have become increasingly involved in wholesale and international business. Over the years the number of savings banks has decreased as a result of mergers creating larger individual units. There are now some 600 banks with 17,000 retail outlets.

Their aggregate balance sheet at the end of last year stood at DM 583.6bn or 39 per cent of the banking community's total. Savings banks have over two thirds of the business volume of all the commercial banks put together. Over 50 per cent of West Germany's current account holders bank with them: they have 38 per cent of sight deposits, the largest share — 41 per cent — of non-cash payments and have issued over half the Eurocheque cards in West Germany.

Savings banks have 46 per cent of the total savings market, 55 per cent of the savings deposit business, 41 per cent of the consumer credit business, over 50 per cent of loans to small businesses and some 60 per cent of municipal loans. It is a stronghold which they do not intend to relinquish. To this end the Savings Banks Association has made sure that it is in the forefront of new development in banking, flexing the muscles its dominant position gives it when it needs to protect its own interests.

They have been the first to install automated teller machines (ATMS). By the end of the year they expect to have 2,000 in operation compared with a targeted 100 by the commercial banks, while the co-operative banks are still operating them on a trial basis.

In spite of being highly competitive the Federal Republic's various banking groups have agreed to co-operate on payments systems. They have already done so with the issuing of the multicurrency Eurocheque cards. When first introduced in 1968, these began as a cheque guarantee card but are now equipped with a magnetic strip so that they can also be used as ATM cards and eventually for point of sale transactions (EFTPOS). As a result of the interbank co-operation the Eurocheque card can be used at any bank or post office within the country (as well as in Europe) either to cash a cheque or to draw money from an ATM. Although Deutsche Bank was heavily involved in the launch of the Eurocheque card it is the savings banks which have issued more than half of the 16m or so in circulation.

### Logical view

The decision to co-operate further and share ATMs was taken — according to Herr Wolfgang Starke, general manager of Savings Bank Association — because "although we are intensely competitive we could all see that investing on separate ATMs would be too costly. We wanted to avoid the kind of situation which you see in Britain or France where there are several ATMs belonging to competing banks on every street corner."

Though this kind of logical approach may reduce investment overheads it is not without its problems, as Herr Starke acknowledges, if only because of the varying speeds of installation by the different banks and even within the same bank grouping. Although the Savings Banks Association, like the comparable association representing the co-operative banks, is a useful negotiating arm when discussing co-operation with the big commercial and other banks it cannot dictate policy to individual savings banks. Not all are in favour of ATMs. For the system to work effectively and to the benefit of the consumer ATMs have to be available throughout the country so that the consumer can draw money 24 hours a day wherever he or she may be.

Herr Starke, who has been in the forefront of the new technological development, is convinced that any future co-operation such as for EFTPOS will have to cover the technical implementation also. In future, he says, "We can only co-operate if we have a common level of technological and organisational development as well as a willingness to fulfil the commitments we enter into. If our co-operation pacts don't include the technical aspects then we might as well forget any future co-operation.

While they have so far co-operated both on the Eurocheque card and on the Eurocard, which operates as a travel and entertainment card, and are united in their opposition to Visa's attempts to penetrate their market, the West German banks have failed to agree on a common traveller's cheque. The main disagreement has been between the commercial and savings banks which for the time being, at least, have gone their separate ways.

Deutsche Bank has proposed a Europe-wide consortium bank which would buy up Midland Bank's Thomas Cook subsidiary to form a new traveller's cheque system. The savings banks did not like the proposals, not least because of the cost of having a processing centre in West Germany, and pulled out. Without them the scheme collapsed. An alternative whereby banks would issue travellers cheques in association with American Express was rejected by the Federal Cartel Office.

For the time being the banks have gone their separate ways, with the commercial banks selling Thomas Cook cheques and the savings and co-operative banks selling American Express travellers cheques. It is clear, however, that the issue is by no means closed and some joint action in future is still likely.

# Savings movement remains the dominant force

## Retail banking

MARGARET HUGHES

THE OVERHANGING economic recession combined with the lowering of interest rates have been the main influence in the past year on the West German retail banking industry. New competitors coupled with the technological revolution are other factors which are changing the overall character of the Federal Republic's consumer finance business.

Demand for credit has been sluggish while the propensity to save has revived — although the lower interest rates have brought a switch back to shorter maturities. There has been a general reverse of 1981 trends which has eased liquidity for the banks. Savings increased last year by 6.7 per cent to DM 1,084bn, which was both higher than the previous year's rise of 5.5 per cent and the growth in credits. These rose by only 5.7 per cent to DM 1,709bn against an increase of 9.3 per cent in 1981.

As usual the savings banks dominated the business with a 46 per cent share of the savings market, 41 per cent of the credits market and 39 per cent of assets.

The second biggest force is the co-operative movement, which since the merger of the urban and commercial co-operatives has become the most dynamic of the three main groups involved in retail banking.

The commercial banks, meanwhile, are relative newcomers to retail banking, with a correspondingly smaller share of the market. Traditionally associated with industry and big business, they made their initial inroads with the lifting of restrictions on branching in 1958. They then rapidly expanded their branch network from 787 to a current level of over 3,000, though in recent years the number of branches has been fairly static.

Compared with their main competitors — the savings and co-operative banks — their branch network remains very small, especially in the rural areas. None the less retail banking has become a major part of the commercial banks' business, accounting for between a third and a half of their deposits. With the recent adverse experiences of sovereign and corporate debt, consumer deposits have become increasingly attractive, though they are having some difficulty in hanging on to their market share.

**RETAIL BANKING**
**(DM bn—end-1982)**

| | Balance sheet total | Loans | Deposits | Of which savings deposits |
|---|---|---|---|---|
| Savings banks | 583.6 | 292.4 | 484.2 | 275.8 |
| Co-operative banks | 301.6 | 198.8 | 247.1 | 130.3 |
| Big commercial banks | 222.0 | 135.4 | 141.7 | 48.4 |

Last year the co-operatives continued to perform best, with above average increases. In the process they repeated the pattern of recent years when they have gradually increased their market share largely at the expense of the big three commercial banks. During the past year the commercial banks registered an increase in savings of only 2 per cent while the growth for the Big Three was as little as 0.7 per cent.

This was largely because of a reduction of some 10 per cent in time deposits, which still account for some 38 per cent of their total deposits. From a much lower base both the savings banks and the co-operatives recorded increases in time deposits, although the growth rates were far smaller than in the previous three years. During that period of high interest rates time deposits increased threefold but as interest rates have dropped, have become far less attractive to the consumer.

Indeed, a particular feature of the savings business last year was the return to popularity of the passbook savings accounts which are subject to statutory three months' withdrawal notice. For the first time in several years these deposits, which still represent about half of all savings, increased to the tune of 10.5 per cent — twice the growth rate of savings with longer fixed maturities.

By contrast the growth in savings bonds and bearer bonds, which in the years of high interest rates had far outpaced that of the legal notice accounts was around the same 10 per cent level. In the case of savings bonds the co-operatives showed a much higher growth rate of 27 per cent, reflecting their more recent entry to this market as issuers. The bearer bonds market is dominated by the regional banks (Girozentralen), the savings banks and the mortgage banks. But last year the biggest growths were achieved by the publicly owned building associations and specialist credit institutions.

On the credits side demand from private individuals increased at twice that from businesses — by nearly 7 per cent — although in volume terms the amount lent to business at DM 600bn was more than four times as much as that extended in consumer credit. Loans for house building showed an above average increase of nearly 8 per cent, in large part thanks to the fresh incentives for house building introduced last autumn by the new government. This was also reflected in the strong growth of just under 10 per cent in the loan books of the private mortgage banks and building and loan associations.

The growth achieved by the mortgage banks reflects the declared policy of their main shareholders—the big commercial banks—to direct long-term business towards these subsidiaries. As a result, their own long-term credits business showed a decline of nearly 7 per cent last year. The improved performance of the mortgage banks, however, which helped them improve their market share marginally to almost 17 per cent, was not enough to offset the general stagnation on the Big Three's credit business, which increased by less than 1 per cent.

By contrast the savings banks, which are strongest in short to medium-term lending, showed above average growth last year in long-term loans, as did the co-operatives, which saw a strong upturn in this sector towards the end of the year. This higher growth rate in long-term loans, a reversal of 1981 when short to medium-term loans grew faster, is attributed to a small increase in investment activity prompting householders and businesses to convert their loans into longer term borrowings.

The highest growth in the retail credits business—nearly eight per cent—was for house-building. This market is dominated by the mortgage banks and the *Bausparkassen* (building and loan associations). The private ones, like the mortgage banks, are owned wholly or partly by the commercial banks or other financial institutions such as insurance companies while the public ones — the *Landesbausparkassen* — are owned by the savings banks. Neither of these two groups nor individual savings banks (which are also traditional providers of home loans) will lend the full amount required to buy or build a house. But increasingly the retail banks are now offering one-stop packages in association with their subsidiaries or associates, with bank loans being used to supplement the normal housing loans.

As far as the retail banks' loans to the business sector is concerned there has latterly been a much bigger growth in credit demand from small to medium-sized companies and the self-employed than from big companies. This sector, traditionally the domain of the co-operatives and savings banks, has become the target for major marketing efforts. All three banking groups are offering special medium-sized loan schemes.

Such is the structure of retail banking in West Germany that there is little potential for expanding the market. Beyond the youth market of school leavers, apprentices and graduates, along with new small businesses, it is a tough task to win business from competitors. The Federal Republic is already a highly banked country. As much as 97 per cent of the population has at least one bank account — compared with 60 per cent in the UK, for instance. As many as 83 per cent have more than one savings account while 80 per cent of the working population are paid through the banking system. With the extensive branch network of the co-operatives and savings banks there is one bank branch for every 1,375 persons, compared with one for every 3,400 in the UK.

The overall emphasis has thus been one of fighting to hang on to market share. This the savings banks by and large have managed to do but the commercial banks are seeing theirs eroded by the co-operatives — the former sleeping giants which are now realising the potential of their huge branch network and close direct links with the public. But with the advent on new technology the retail bankers are becoming concerned over competition from new quarters.

They see the greatest threat from the Post Office and those banks which do not at present have any branch network to speak of but which will be able to reach a wide spread of potential customers once electronic banking is underway. West Germany is somewhat behind Britain, France and even Sweden and Spain in its electronic development. Only some 670 automated teller machines and cash dispensers have been installed to date, against 3,510 in Britain and 3,321 in France while home banking, which it had hoped to start this year, has been postponed until the spring of next year because of the problems of adapting the software to the Post Office's *Bildschirmtext (BTX)* central computer supplied by IBM. But when the problems are eventually ironed out *BTX* will provide the consumer with home banking through a television set and telephone line.

This could be of direct benefit to the commercial banks which at present are unable to reach 50 per cent of the retail banking market through their limited branch network. For the savings banks and co-operatives the new technology poses something of a dilemma. Home banking could make the very core of their banking operations — their branch networks—at best costly, at worst obsolete.

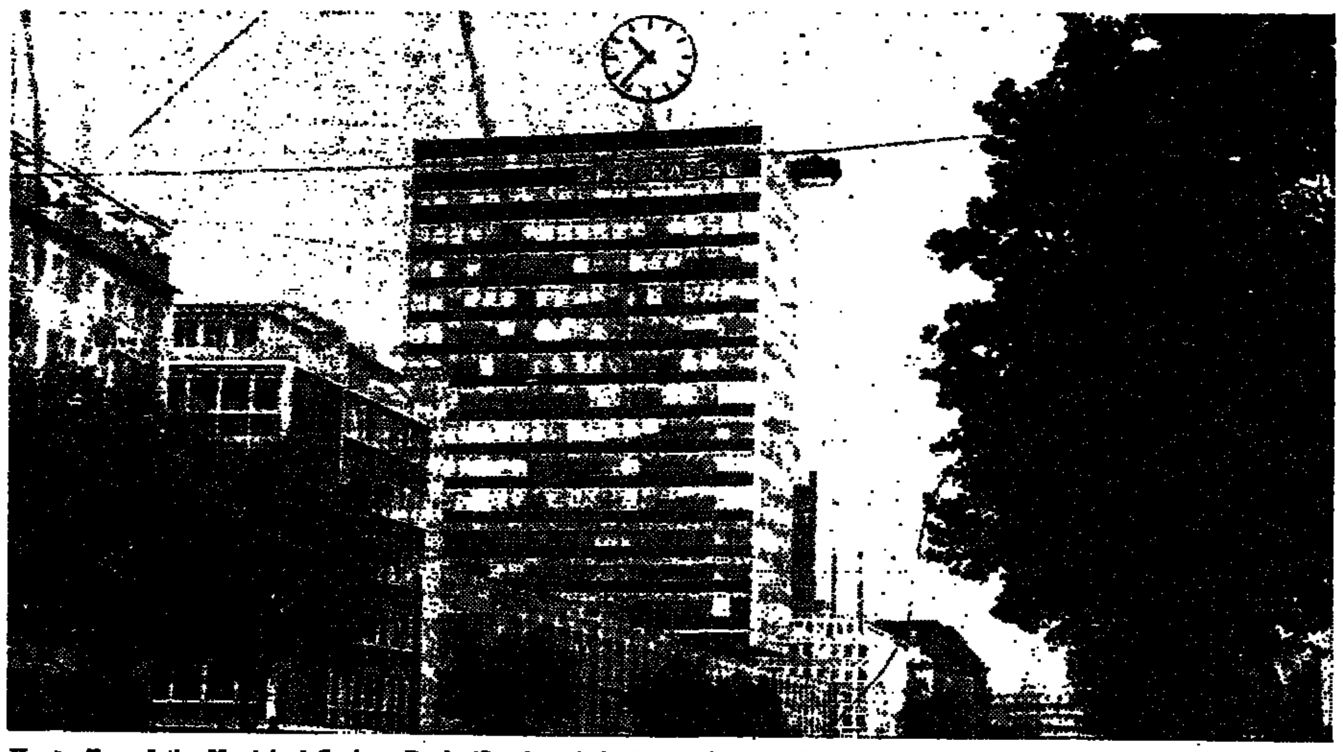
In the case of the co-operative banks, with their very personalised approach through small individual branches, the new technology may be of a less immediate threat, particularly as their present approach is working very successfully. The savings banks, with fewer branches than the co-operatives and of larger individual size but far more than the commercial banks, is somewhat caught in the middle. They cannot afford to reduce their branch network while the co-operatives maintain theirs, yet they face increased competition from the commercial banks which will now be able to reach a wider market at lower cost, not to mention the new entrants.

The savings banks stress that theirs will be a two-pronged approach using new technology to streamline the routine operations which will free their branch staff to provide a more personalised approach for the more specialised services. With little to choose between the products offered by the three main banking groups, all of which, with the exception of one or two small differences dictated by their incorporation, operate as universal banks offering full banking services, competition is, in any case, centred on the quality of those services. Meanwhile, the savings movement is making sure that it remains the dominant force in the movement by setting the pace in technological and other developments.

**MARKET SHARES IN RETAIL BANKING**
**(per cent)**

| | 1972 | 1973 | 1974 | 1975 | 1976 | 1977 | 1978 | 1979 | 1980 | 1981 | 1982 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Balance sheet assets:** | | | | | | | | | | | |
| Co-operative banks | 18.0 | 18.2 | 18.6 | 18.7 | 19.0 | 19.3 | 19.7 | 20.4 | 21.4 | 22.0 | 22.6 |
| Savings banks | 38.9 | 38.3 | 38.6 | 38.7 | 38.6 | 38.0 | 37.6 | 37.7 | 38.3 | 38.6 | 39.0 |
| Commercial banks | 43.1 | 43.5 | 42.8 | 42.6 | 42.4 | 42.7 | 42.7 | 41.9 | 40.3 | 39.4 | 38.4 |
| **Deposits:** | | | | | | | | | | | |
| Co-operative banks | 20.8 | 21.1 | 21.9 | 22.1 | 22.7 | 23.1 | 23.5 | 24.3 | 25.3 | 26.0 | 26.8 |
| Savings banks | 46.0 | 45.7 | 46.7 | 46.4 | 46.5 | 46.1 | 45.4 | 45.6 | 46.1 | 45.8 | 46.2 |
| Commercial banks | 33.2 | 33.2 | 31.4 | 31.5 | 30.8 | 30.8 | 31.1 | 30.1 | 28.6 | 28.2 | 27.0 |
| **Loans:** | | | | | | | | | | | |
| Co-operative banks | 18.6 | 19.1 | 19.1 | 19.2 | 19.8 | 20.3 | 20.7 | 21.6 | 22.3 | 23.0 | 23.3 |
| Savings banks | 39.9 | 40.5 | 40.7 | 41.2 | 40.7 | 40.2 | 39.9 | 40.0 | 40.6 | 40.9 | 41.2 |
| Commercial banks | 41.5 | 40.4 | 40.2 | 39.6 | 39.5 | 39.5 | 39.4 | 38.4 | 37.1 | 36.1 | 35.5 |

Source: Association of Credit Co-operatives.



Head office of the Municipal Savings Bank (Sparkasse) in Dususseldorf. In a country that is already fully banked the battle in retail banking is to hold on to market share. The savings banks have managed to do so but the commercial banks are under strong challence from the co-operatives.

# Pleas for more liberal line

HAMBURG, an elegant city swept by sea breezes, is especially sensitive to shifts in the world's economic and trading climate. With its proud maritime tradition, it is hurt economically and psychologically by the chill effects of Asian competition on its shipyards. As a merchant trading centre it is used to scanning distant continents for trading and financing opportunities. It also houses the headquarters of that unusual financial institution, Hermes, to which West German exporters have been looking increasingly for help with problems of trade finance.

Politicians are apt to shrug their shoulders helplessly at the plight of the shipyards, notably those at Hamburg, Bremen and Kiel, where jobs are continuing to dwindle. But the general rise in unemployment in West Germany to over 2m is part of the reason why Hermes and its government backers have come under pressure to ease conditions for export credit insurance—the key to securing orders for work and finance from banks.

**Trade finance**

JOHN DAVIES

The conditions of insurance coverage have been eased in some respects, even though Hermes faces the possibility of heavier payouts because of the debt problems of some foreign countries. At the same time, however, official pressure has been steadily building up for an increase in Hermes' fees — a move which would add to exporters' costs at an unfavourable time.

Hermes is actually a commercial organisation, tracing its origins back to 1917 and largely owned by Munich Re-Insurance and Allianz Insurance. While its domestic insurance is it own affair, it conducts export credit insurance as the chosen instrument of the West German Government, which also bears the financial consequences of this part of the business. Hermes is, therefore, like its namesake in Greek mythology, a messenger of the gods and protector of merchants.

The extent to which the gods should, through Hermes, protect exporters has been a matter of some debate in West Germany, which is a strong supporter of free and unsubsidised trade.

However, the Cabinet in Bonn decided earlier this year that Hermes export credit insurance should take account not only of the risks involved in export deals but the employment and broad economic benefits as well. It indicated that export credit insurance should not be blocked totally to countries whose debts are being rescheduled with the help of the International Monetary Fund and the private banks. The Government has also raised the upper limit which Hermes' total outstanding insurance coverage may reach from DM 160bn to DM 185bn.

At the same time the holders of the purse strings in Bonn have been laying the groundwork for an increase in the financial terms which exporters must pay to get Hermes coverage, in view of the higher risks these days. The Finance and Economics Ministries have been alerting exporters that they must reckon in future with a rise in Hermes' fees by somewhere between 30 and 50 per cent. This could add up to an extra DM 350m a year.

The West German Industry Association has been arguing against an increase in Hermes' fees. It believes exporters should be spared extra costs at a time when it is particularly difficult to get foreign business. It also argues that much of the risk involved is not that foreign purchasers will not pay, but that payment will simply be delayed.

A chorus of protest has been building up, with critical voices coming from within the Free Democratic Party (FDP), the junior partner in the government coalition, and more vehemently from the opposition Social Democratic Party.

An SPD trade expert, Herr Uwe Jens, recently remarked that it would be absurd to add to exporters' cost burdens when the whole economy was heavily reliant on an uplift in trade. Higher Hermes' fees, he warned, were bound to destroy jobs, particularly in manufacturing and in vulnerable small to medium-sized concerns.

Politicians and officials bent on trimming government spending and cutting subsidies have been brushing aside these arguments. Hermes, like other institutions, must pay its way, they assert.

As a result of the increased problems in trade financing Hermes' payout to exporters grew from DM 770m in 1981 to DM 930m last year. In most cases "political" factors were described as the reason why the exporters failed to obtain payment and turned to Hermes for compensation. Of the payouts for political reasons last year, more than half involved Poland and a further 14 per cent Romania.

On the other hand, Hermes' income from insurers and from delayed recovery of debts abroad was actually high enough last year to cover its increased payout and its administrative costs, with a surplus of DM 34m left over. It is widely doubted whether such a result can be achieved this year, in view of the risks involved, for example, in Latin America.

Hermes covers slightly less than 10 per cent of West Germany's export business, mostly to developing countries, Opec countries and Eastern Europe. A smaller percentage is insured by other private companies on a purely commercial basis.

While Hermes insurance coverage smooths the path in securing finance for a trade deal, it is vital only in the most sensitive countries and does not affect the bulk of West Germany's trade.

In actual trade financing, as with many other areas of banking, the West German scene is dominated by Deutsche Bank, the country's biggest commercial bank. This one institution is estimated to handle the financing of about a quarter of the country's foreign trade and an even higher proportion — about a third — of trade with Eastern Europe.

In an extension of its already wide trade financing interests, Deutsche Bank recently reached agreement to increase its stake in European Asian Bank, which from its Hamburg headquarters supervises banking operations in 14 countries of Asia and the Pacific.

European Asian Bank was set up in 1972 by the seven partners of the European Banks International Company (Ebic). At the same time it took over the assets and liabilities of the Deutsch-Asiatische Bank, which dated back to 1889 and was involved in financing Chinese railway construction before World War I.

With three of the Ebic partners going their own way, Deutsche Bank now is gaining 60 per cent of the Hamburg-based bank.

European Asian Bank has been steadily building up a network of trade financing. About 20 per cent of business has a German link, such as arrangements to finance in local currency the sale of trucks from Daimler-Benz's Indonesian assembly operations. But the bank has also been interested in such deals as financing Indonesian plywood exports to Taipeh and South Korean ship sales to Sri Lanka.

Herr Michael Boehm, a managing director, believes the bank's activities, concentrating on medium-sized businesses, will complement these of Deutsche Bank, with its interest in larger Asian projects.

West German exporters and their bankers have been looking increasingly to Asia in recent years, although with mixed results. Not only the "Big Three" commercial banks but other competitors also have opened representative offices in Asia to explore trade financing and investment opportunities.

However, Herr Ingo Greve, an official of the East Asia Association in Hamburg, believes that West German exporters still find it difficult to obtain finance for trade with Asia. He sees this as largely a psychological problem, arising from a feeling that Asia is more distant and less familiar than, for example, Latin America.

He also strongly holds the view that export credit arrangements—not only for Asian trade—should be liberalised to secure orders and jobs. He believes that in the past orders have been lost to other countries through tight credit insurance restrictions imposed through Hermes.

Manufacturers believe that Hermes — and beyond it the Government — should view problems of trade finance and export insurance from a longer-term perspective. They point out, for instance, that since 1949 Hermes has contributed DM 1.3bn to the Government budget. This should be taken into account in the present climate of higher risks and possible losses, they argue.

Some financial figures in West Germany have also been pointing out that the debt problems of some countries would be best solved by promoting a more general economic recovery and trade growth. Manufacturers argue that Germany would make a contribution to such a policy by being more liberal towards export insurance and trade finance. They believe that this would not only help German exporters to sell abroad but would also help problem countries to buy investment goods needed to improve their economic potential.



# Measured approach to electronic systems

FROM THE 14th floor of the Chase Bank in Frankfurt, Herr Heinz Rahlves has a far-reaching view of the city and its many building projects, including new bank offices. The view encourages a sense of perspective in a field in which Herr Rahlves has a particular interest—banking technology. The horizon is wide, activity is definitely there, but it takes some time to clear debris from the past and make a dramatic change in the landscape.

Chase, like other big American-based banks, is among those which set considerable store by new electronic banking services for corporate customers. Other strong champions of this cause on West German soil include Citibank and Chemical Bank. However, U.S. institutions tend to run into a conservative approach to customer-service banking technology in West Germany, stemming not only from an innate local caution but also from the balance of financial forces in the country.

Herr Rahlves, combining U.S. and German experience as well as training in computers and banking, adopts a pragmatic approach. He estimates that apart from banks themselves a total of about 80 companies in West Germany have opted for the computerised cash management services offered by his bank and by its competitors. The big question, he says, is how to reach the next 300 companies.

He believes it will be necessary to expand the range of functions which the electronic systems will enable corporate treasurers to perform from their own offices. This means that banks have to offer a hardware and software package that is a multi-purpose intelligent device. "For the next 300 companies you will have to offer more products and more intelligent machines," he says.

Herr Rahlves senses a change in attitudes over the past year or so, with top management of European companies becoming more interested in the possibilities opened up by electronic banking. More executives are making enquiries and encouraging their staff to become familiar with the techniques.

With their already powerful position in corporate banking, the big West German banks have not proceeded with undue haste into this technological field. However, Commerzbank took a decisive step late last year by reaching an agreement with Chemical Bank to offer the U.S. bank's system of electronic financial information and cash management to corporate customers.

Dresdner Bank and Deutsche Bank have also been weighing up prospects for this type of customer service. Dr Wilfried Guth, one of the two joint chief executives of Deutsche Bank, made a brief reference to electronic banking services in a recent address to the Frankfurt Chamber of Commerce. He remarked that many large international banks, in response to the changing needs of their customers, had developed new forms of financing and services, including cash management.

Critics of the German banks claim that their technological conservatism stems partly from their traditionally strong links with local companies, which are scarcely likely to switch allegiances. The critics also point out that electronic cash management by customers could lead to a reduction in idle bank balances thus reducing a source of bank profits—a development the banks could hardly welcome. On the other hand German companies themselves are generally cautious by nature. Their links with their house banks are close and serious.

**Automation**

JOHN DAVIES

The cautious attitude of the big West German banks also extends to technological services for private customers, although in this field they are far more aware of potential competition — from the savings banks. The number of cash dispensing machines is growing but they are still much less widespread than abroad.

The banking system has been concerned to try to avoid unnecessary duplication in istallation of cash dispensers. In 1979 an agreement was reached to provide compatible dispensers so that customers of one bank could withdraw cash from a machine at another bank. Under the agreement savings banks are progressively converting machines to the compatible system.

While some cities are fairly well endowed with cash dispensers, the machines are hard to find in others. Hamburg in particular has been described as a desert in which a cash dispenser is a rare oasis.

West Berlin has been relatively better served, with 19 devices in the compatible system—requiring a Eurocheque card and a code number—as well as ten others run by the West Berlin Savings Bank. At the 19 Eurocheque card cash dispensers more than 20,000 withdrawals are made each week, totalling nearly DM 5m. This works out at nearly 160 withdrawals a day from each dispenser.

The banks have expressed determination to press on with providing a greater number of automatic cash dispensers. They do not believe that the devices will be overtaken by other technological innovations such as point-of-sale electronic transfer systems or bank account operation from a customer's living room via his *Bildschirmtext* (videotext) screen.

An electronic point-of-sale system is being tested in Munich, with terminals installed at a number of retail stores and petrol stations. Purchasers use their Eurocheque cards and code numbers to authorise direct deduction of payment from their accounts with certain local banks.

This technological device has not met with universal enthusiasm from savings banks or the retail trade in West Germany because of the costs involved. Small and medium-sized shops want to keep a tight rein on this development. They fear they will either face heavy costs through installing terminals or else lose business to stores which provide them as a customer service.

Home banking is one of the boundless prospects opened up by *Bildschirmtext*, which is being introduced by the West German Post Office early next year as a basic video communications system. When adequately refined and with sufficient security precautions the system could theoretically enable bank customers to get information on their accounts and arrange account transactions—all from the comfort of their living room. At this stage many bankers are rather dubious about the implications.

West German banks are laying the groundwork for future extension of technological developments to customer services. This is explicit in a recent trade union agreement which envisages the computerisation of many banking services and which promises to protect bank employees' jobs as far as possible through retraining.

However, some of the West German reservations about automation were expressed recently by Dr Walter Seipp, chief executive of Commerzbank. He said that automation offered many possibilities to improve customer services as well as to dispense with routine work. But his bank did not want to become a "machine bank." Individual professional counselling of customers must remain in the foreground of the bank's activities, he said. Technological devices, he indicated, were simply complementary to the bank's personal dealing with customers.

# Confidence in underlying strength despite recent easier tone

## Stock market

JOHN DAVIES

AS THE West German stock market at last shook off its lethargy, bankers and investors were quick to describe this year as the "year of the share." The description has seemed apt for various reasons—with prices reaching new peaks, the volume of trading at times taxing the resources of men and computers and foreign buyers entering the fray more vigorously, if sporadically.

In other respects, however, the "year of the share" description has been more problematical and rather an expression of hope. Trading volume has tapered off after the hectic trading last spring and prices have retreated nervously during bouts of anxiety touched off by currency and interest rate worries. Moreover, the stock market's ability to function as a source of new capital for corporate ventures remains a controversial issue. While some companies have taken advantage of the buoyant market to make rights issues, the launch of new companies on the stock market is still a rare occurrence.

West German share prices indices began rising from their trough in August last year, several weeks before the shift of political power in Bonn. The share market had previously languished under the impact of recession and high interest rates, which for a long period made bonds a more attractive avenue for investment.

Coinciding with the sudden and sharp rise in unemployment late last year, the new Centre-Right coalition government under Chancellor Helmut Kohl introduced measures to stimulate the economy—primarily through aid for home building and industrial investment. At the same time the outlook seemed favourable for a continuing fall in interest rates.

Responding to these economic and political factors, share market activity reached a climax just before and just after the election of March 6 which returned the coalition government to power. With investors in the U.S., Britain and Switzerland adding their buying strength, the share market made almost unprecedented advances.

The Commerzbank share index rose 22.6 points to 844.9 in the first day's trading after the election on a wave of market euphoria scarcely seen since the days of Chancellor Konrad Adenauer.

By April 27 the index had reached a 22-year high of 965.6, showing a rise of 48.5 per cent since the trough of 650.2 on August 17 last year and a 26.5 per cent gain since the beginning of 1983.

A sobering influence then set in, with prices and the volume of trading declining in the ensuing weeks. Bankers actively involved in the share market described the setback at the time as a period of consolidation attributable to a number of factors. These included a "normal" reaction to the higher prices, the strengthening of the dollar and sterling against the Deutschemark and renewed doubts about interest rates and economic recovery. Foreign investor interest tapered off with the growing likelihood that share market gains would be wiped out by currency losses.

The Commerzbank index slipped to 889.7 on June 1 before reverting to an upswing which took it to a further peak of 986.3 on July 7. With intermittent bursts of foreign buying, the index bumped along unsteadily during July a little below its peak level. However, the market then sagged during August as the dollar strengthened considerably against the D-mark and as concern grew about the possibility of higher interest rates in the U.S. and West Germany.

Market dealers believe that, in general, share prices have shown strong resistance to the depressive influences in the last couple of months. Despite continuing doubts about interest rates and economic growth, the consensus seems to be that after a period of uncertainty and fluctuation the market still has further gains ahead, with a cyclical high possibly being reached next year.

Although some of the steam has gone out of the market, the volume of trading has nevertheless remained above that of last year. The election month of March brought the heaviest volume, the value of German shares traded in Frankfurt—the largest of the country's eight stock exchanges — reaching DM 20.8bn, well ahead of the total of DM 15.5bn for the whole of last year.

However, after the scrambling activity of March turnover in Frankfurt declined in the ensuing months—to DM 4.4bn in April, DM 3bn in May and DM 2.8bn in June—before edging up to DM 2.9bn in July.

In the early phase of this year's upswing the most sought-after shares included builders such as Philipp Holzman and Hochtief; the more successful car makers, Daimler-Benz and BMW; Siemens, the computer and electronics concern; the large chemical companies; banks and retail stores. Limping along at a slower pace were shares of some heavy industrial concerns, which showed less promise of early benefits from an economic upturn.

Since then large building companies have tended to fall from favour. The change of mood was brought about by the realisation that while home building was improving in West Germany, commercial and industrial construction was showing only modest improvement and government building projects were decidedly weak. In addition, building orders from abroad, notably the oil-producing countries, have been falling drastically.

Bankers have lately been advising clients to adopt a very selective approach to share buying in West Germany. The view seems to be that the market is unlikely in the near future to be strong enough to carry entire sections ahead. On this line of reasoning it is necessary to be more selective about individual companies within sectors.

While chemical companies and car makers in general are rated among interesting prospects, other manufacturing concerns are being scrutinised more cautiously. In many cases the market has already taken account of expectations of higher profits arising from increased capacity utilisation. But bankers have been pointing out that the strength of the dollar in relation to the D-mark could give a competitive advantage to some manufacturers in export markets.

In the immediate future the market is considered likely to be operating very much in the shadow of monetary developments. The Bonn Government has been reluctant to see higher interest rates for fear of stifling the modest rate of economic recovery. However, there has been concern for some time about the trend of interest rates, not only because of developments in the U.S. but also because of the growth of the money supply in West Germany, which has been exceeding the target.

Further ahead the market will be looking to signs of how strong and sustained the present economic recovery will be. The upturn in Gross National Product in the first quarter of this year—a turning point after two years of stagnation or decline—was powered to some extent by increased consumer spending. This rise in spending was a factor underlying the popularity of retail stores in share market trading. However, a key question is whether industrial investment can be stimulated sufficiently to provide a longer-lasting boost to economic growth.

Despite the uncertainties, bankers have been envisaging a further rise in the Commerzbank index to the 1,000 level. This psychologically significant point is seen as only a small step from the July 7 peak of 986.3.

While share activity has picked up, another aspect of the German stock exchanges has taken on a new lease of life this year—option trading. New regulations were introduced in April to simplify the conditions under which some 55 German and foreign share options are traded. This involved standardising the option periods, termination dates and pricing arrangements, in an attempt to shed more light in what is a mathematical jungle.

Spurred along by the profit prospects in a rising share market, the volume of option trading had already surged ahead several weeks before the new regulations came into force. But bankers say the new system also quickly attracted new clients who previously adopted a reserved attitude to option trading.

A variation of the option theme—Eurodollar bond issues with detachable and tradeable share warrants—also came to the fore in the West German financial markets this year. The warrants are basically options to buy shares in the borrowing group at some future date but at a predetermined price.

While the share market has been rising borrowers have been able to raise Eurodollar loans at lower interest rates than for conventional issues because of the prospect of capital gains if the warrants are exercised. Although the fashion was not confined to West Germany, it brought forth a spate of issues in quick succession—notably for Hoechst, the chemical company; Siemens; Degussa, the precious metals and chemical group; and for leading commercial banks.

Companies turned to this capital-raising device because of a favourable constellation of forces in the financial, currency and stock markets. At the same time the new share market climate increased expectations that more companies might turn to the stock exchange to improve their capital base. While some companies have launched rights issues, for a mixture of motives, the scale has not been dramatic. The amount raised in the first quarter, for example, was well ahead of the same period last year, but the total was dominated by the DM 810m rights issue by RWE, the electricity utility, to finance power station construction.

In some cases rights issues serve a double purpose of increasing the company's capital base while also providing a benefit to shareholders if the new shares are issues below the actual market price. This has been the case, for instance, with the rights issues for Siemens and Daimler-Benz.

The capital-raising role of the West German stock exchanges has long been regarded with disappointment. Critics of the exchanges' performance point out that the share capital base of companies has declined starkly in the last two decades and that few new companies are launched on the stock market. Many large companies in West Germany, built up since the war, remain in family ownership or in a few hands and are not traded on the stock exchanges. In addition, there is a growing feeling that the stock market is failing to provide the opportunity for investors to finance newly founded innovatory enterprises.

There is some indication that the number of company launchings on the stock market may be increasing. One notable newcomer to the market is Wella, the hair-care company. But as an indication of how such matters operate in West Germany, this "newcomer" already has sales revenues of DM 1.4bn a year and its business links stretch world-wide, even as far as China.

The shortcomings of the stock market as a source of capital are drawing more attention these days. For instance, Professor Karl Oppenlaender, president of the IFO economic research institute, remarked recently that serious consideration should be given to ways of bringing more companies to the stage of launching shares on the stock exchanges. He believes that there is sufficient risk capital in West Germany to support such ventures but that so far it has been channelled into other avenues.

Dr Wolfgang Roeller, a management board member of Dresdner Bank, summed up the problem in a recent address to the Frankfurt Chamber of Commerce. A lively share market was not an end in itself, he said. It was a means for companies to ensure they could improve their capital strength. He believed steps should be taken, including taxation measures, to try to encourage a sustained and wide interest in the share market.

### SECTORAL SHARE INDICES

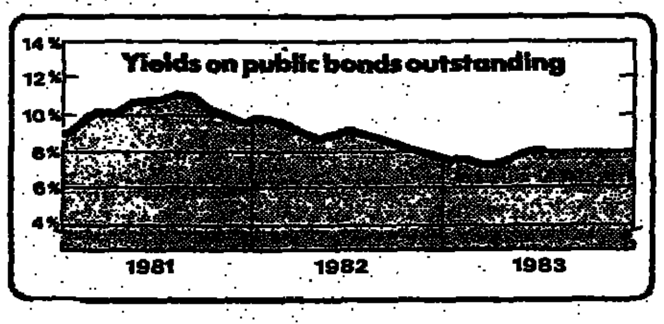
| Sector | August 17 1982 | Dec 30 1982 | March 7 1983 | April 27 1983 | July 7 1983 | Per cent rise between Aug 17 and July 7 |
|---|---|---|---|---|---|---|
| Banks | 91.30 | 108.41 | 116.31 | 138.22 | 136.55 | 49.6 |
| Insurance | 229.58 | 288.81 | 302.26 | 360.80 | 373.70 | 62.8 |
| Motor vehicles | 141.98 | 182.82 | 215.10 | 253.02 | 278.86 | 96.4 |
| Building | 283.07 | 376.38 | 405.56 | 451.24 | 380.41 | 34.4 |
| Chemicals | 53.31 | 59.45 | 65.84 | 73.56 | 77.35 | 45.1 |
| Electrical | 69.15 | 84.74 | 95.83 | 114.03 | 122.27 | 76.8 |
| Retail stores | 48.60 | 51.32 | 62.15 | 68.42 | 66.99 | 37.8 |
| Steel | 102.58 | 100.85 | 114.33 | 128.18 | 117.40 | 14.4 |
| Manufacturing and engineering | 107.18 | 113.83 | 125.46 | 135.35 | 129.62 | 20.9 |

Compiled by Westdeutsche Landesbank December 31 1968=100.

### PRICES OF SELECTED EQUITIES

(DM)

| | Aug. 17 | Dec. 30 | March 7 | April 27 | Aug 19 |
|---|---|---|---|---|---|
| Philipp Holzmann | 396 | 490 | 520 | 540 | 410 |
| Daimler-Benz | 292 | 393 | 450 | 541 | 571 |
| BMW | 176 | 227 | 292 | 343 | 383 |
| Siemens | 214 | 260 | 291 | 355 | 343 |
| Hoechst | 104 | 118 | 133 | 148 | 157 |
| BASF | 114 | 123 | 131 | 149 | 155 |
| Dresdner Bank | 117 | 148 | 161 | 196 | 174 |
| Kaufhof | 176 | 196 | 240 | 266 | 256 |
| GHH | 177 | 169 | 172 | 169 | 146 |
| Mannesmann | 127 | 144 | 159 | 177 | 143 |
| Linde | 265 | 321 | 337 | 385 | 379 |
| AEG | 25 | 28 | 59 | 66 | 71 |



# Guide for would-be foreign investors

WEST GERMANY is stepping up its efforts to attract investment from overseas, providing in the process strong competition for countries such as Britain, France, and Ireland, which for a number of years have been seeking to stimulate and modernise their own economies through the acquisition of manufacturing expertise from abroad.

In Germany the incentive, as elsewhere, has been provided by a substantial rise in unemployment—up from 1.3m in 1981 to 2.1m now, or roughly 9.5 per cent of the working population. There has been mounting concern, too, that competitors such as Japan are moving ahead of West Germany in the industries of the future. German industry's investment record throughout the 1970s has been sufficiently poor for it to be regarded by the OECD as the potential Achilles' heel of the economy. In 1982, for example, investment decreased in real terms by 6.5 per cent while GNP fell by substantially less at 1.2 per cent.

With encouragement from the Federal Government, each of the German *Länder* (states) has moved into promoting itself actively as a base for manufacturing industry, with American and Japanese companies seen as the most promising source of new technologies and jobs.

Among the attractions which the states are emphasising are West Germany's central position in Europe and the strength and size of its market. Low rates of inflation, the generally pro-business climate in which industry operates, and the sophisticated and comprehensive financial services on offer are other assets which are stressed.

Some of the main features of the business environment which incoming investors will find are listed below.

## Taxation

In West Germany, Federal, state and municipal taxes are levied. Federal and state taxes come under the administration of State Tax Offices (with some Federal supervision), municipal taxes under the respective municipalities. Thus there is no duplicate jurisdiction. Each form of taxation comes under the administration of one authority only.

The amount of a specific tax is determined by the local tax offices on the basis of tax returns or other information submitted by the taxpayers. Taxpayers who are subject to income tax, municipal trade tax and general property tax are required to make quarterly prepayments: taxpayers subject to value added tax file returns and pay the tax due each month. For foreign business enterprises, the following taxes are most important.

● Value Added Tax (VAT). This Federal tax is payable on sales and services rendered by business enterprises in the course of their activities in Germany and on the import of goods (export sales are exempt). It is levied on the net value (=sales price or import value, before VAT) of a transaction, with a deduction for prepaid taxes. The tax rate is 14 per cent, with the exception of certain goods and services (agricultural and food products, books, etc.), on which the rate is 7 per cent.

● Municipal Trade Tax. This tax is calculated on the basis of trade profits and trade capital. Tax rates differ between municipalities; generally, however, they are between 12 per cent and 20 per cent on trade profits exceeding a certain minimum and between 0.6 per cent and 0.8 per cent on trade capital. When calculating income tax liabilities, municipal trade tax payments are deducted as business expenses.

● Corporate Income Tax. This is a Federal tax. No state or municipal corporate income tax is levied in West Germany. Companies subject to this tax are those incorporated under German company law and German branches of companies incorporated under foreign law. Basis for the calculation is the net profits as determined under the Corporate Income Tax Law and the Income Tax Law (see below). Deductible are all ordinary and necessary business expenses (including compensation of officers, but only 50 per cent of directors' fees). Non-deductible are some taxes (e.g., property tax and the corporate income tax itself), expenses connected with exempt income, etc.

Exempt income includes e.g. dividend payments from subsidiaries (shareholding 25 per cent or more), if redistributed to the shareholders of the parent company.

The tax rate for earnings distributed is 36 per cent, for earnings retained 56 per cent. Domestic shareholders receive a personal income tax credit for the 36 per cent Corporate Income Tax paid on their part of earnings distributed. However, they have to include the gross amount of their dividends (i.e. the amount before Corporate Income Tax) in their taxable income. As a consequence, on their cash dividends, they only pay a Personal Income Tax equal to the difference between their individual tax rate and 36 per cent—or receive a tax refund, if their individual tax rate is lower than 36 per cent.

● Dividend Withholding Tax From the cash dividends, another 25 per cent is withheld as prepayment against the personal income tax liabilities of the shareholder.

● Other Withholding Taxes. Some payments to non-residents (royalties, directors' fees, interest on certain kinds of bonds) are also subject to withholding taxes. Tax rates differ according to type of payment.

● Personal Income Tax. This also is a Federal tax. No State or municipal income tax is levied in the Federal Republic of Germany.

The income of all residents—i.e., persons who reside in the Federal Republic of Germany at least for 6 months within a calendar year—is subject to this tax. Tax base is the income received during a calendar year. This is defined as the total net receipts from one or more of the following sources: income from (1) a trade or business, (2) employment, (3) capital investments, (4) rentals and leases, (5) professional and certain other services, (6) farming and forestry, (7) others.

Total net receipts are calculated as follows: gross receipts, minus expenses related directly to the source of income in question (e.g. business expenses), minus certain personal expenses defined as deductible in the tax law (e.g. personal insurance premiums up to a certain limit). The accompanying tax table is then applied to the resultant net amount.

**PERSONAL TAXATION**

| Taxable annual income DM | Single taxpayers: Income tax DM | Single taxpayers: Average tax rate % | Single taxpayers: Marginal tax rate % | Married taxpayers filing joint returns: Income tax DM | Married taxpayers filing joint returns: Average tax rate % | Married taxpayers filing joint returns: Marginal tax rate % |
|---|---|---|---|---|---|---|
| 10,000 | 1,271 | 12.7 | 22.0 | 332 | 3.3 | 22.0 |
| 20,000 | 3,496 | 17.5 | 24.7 | 2,542 | 12.7 | 22.0 |
| 30,000 | 6,542 | 21.8 | 35.7 | 4,728 | 15.8 | 22.0 |
| 40,000 | 10,506 | 26.3 | 43.6 | 6,992 | 17.5 | 24.7 |
| 50,000 | 15,069 | 30.1 | 47.8 | 9,748 | 19.5 | 30.7 |
| 70,000 | 25,132 | 35.9 | 52.0 | 16,884 | 24.1 | 39.8 |
| 100,000 | 41,236 | 41.2 | 55.1 | 30,138 | 30.1 | 47.8 |
| 200,000 | 97,141 | 48.6 | 56.0 | 82,472 | 41.2 | 55.1 |
| 500,000 | 265,155 | 53.0 | 56.0 | 250,286 | 50.1 | 56.0 |

Of importance to foreign business enterprises settling in West Germany are the double taxation agreements, providing relief from taxation. Agreements exist between the Federal Republic and most other important states.

## Banking System

The banking system can be classified into two categories (1) multi-purpose or universal banks and (2) specialised banks. The latter provide mortgage loans, lease finance, etc. For the businessman, however, multi-purpose banks are the most important.

Their business is not limited to commercial or investment banking or brokerage activities. They are in a position to provide all banking services: loans, traditional banking services, investment banking, trading in securities for own or customer's account, as well as cross-border transactions through their own branches abroad or banking correspondents.

● Short-term arrangements (up to one year). These are normally handled in the form of overdraft facilities on a current account. Such arrangements make it possible to draw out and repay on any day according to the cash flow and liquidity requirements of the business.

### Loans

● Short-term loans. It is also possible to borrow amounts for fixed periods of one to 12 months under short-term arrangements, which are normally less expensive than the overdraft rate.

● Trade acceptances. These are used to finance trade flow up to 90 days and can be discounted under arranged lines of credit.

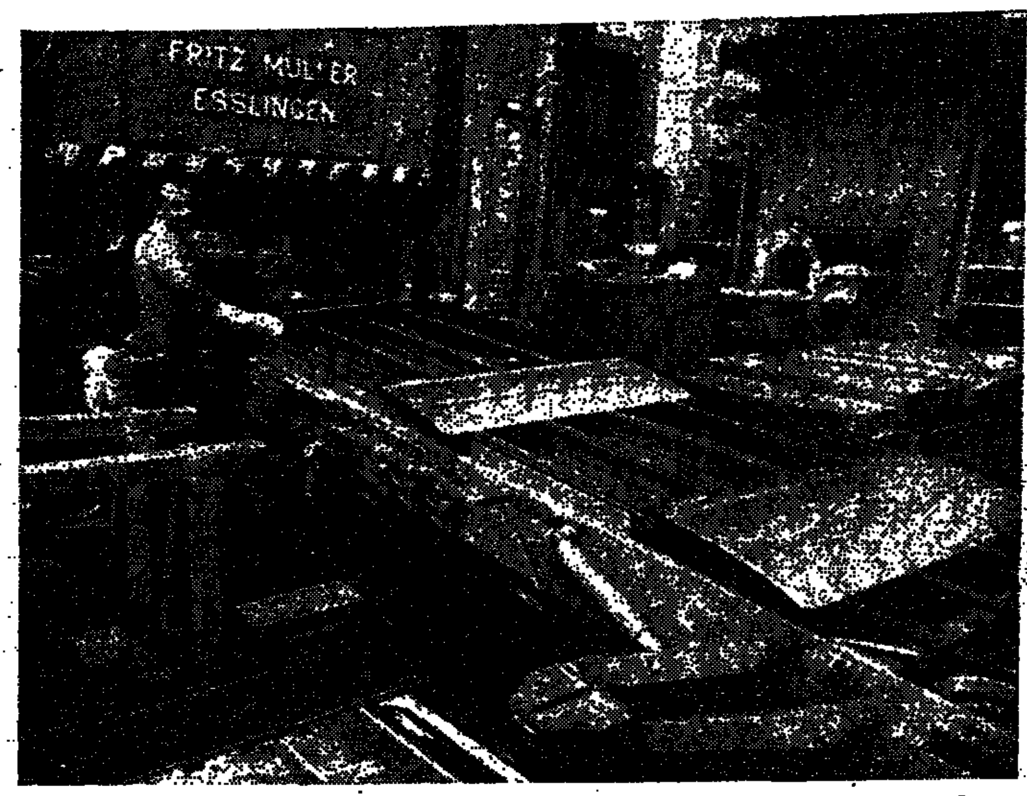
● Medium and long-term loans. Permanent working capital needs and fixed assets are usually financed with instruments such as revolving credit lines and term loans, in addition to equity. Here, the banks have a number of alternatives and loan agreements can be tailor-made, according to specific needs.

### Security

● Unsecured lending to industrial corporations — also to medium and smaller sized companies — has become the practice during the past 20 years.

● Secured lending on the basis of mortgages, assignment of receivables, pledge of marketable securities or inventory is the prevailing instrument in case of new companies. (Note: a leverage of 2:1 or 3:1 is quite common.)

● Guaranteed lending is the most usual instrument used by foreign firms to finance their subsidiaries in Germany.




Where will the new jobs come from? Germany is looking beyond its traditional home-grown engineering sector and is now mounting a major effort to attract investment from the the U.S. and Japan.

## Incentives

Various incentives are offered to promote industrial development in certain weaker areas. Preferential tax treatment is also available for some types of investment.

The Federal Republic is divided into 21 action or development areas defined by the Federal and state government, and outlined in the so-called "base plan." These areas consist of the border zones between West and East Germany (*Zonenrandgebiet*) and other designated areas where economic activity is significantly below that of West Germany as a whole. The designated development areas cover nearly 50 per cent of West Germany and almost 30 per cent of its population.

Projects that qualify for assistance include:—

● establishment of manufacturing plant. Financing assistance can reach in total up to 25 per cent of capital expenditure. Purchase of an existing plant closed down for at least six months or threatened by closure qualifies for the same assistance

● expansion of manufacturing plant. Assistance is available if 15 per cent, or at least 50, new jobs are created in addition to those already existing.

● conversion or complete rationalisation of manufacturing plant.

● relocation of manufacturing plant in special cases.

The main elements in the overall package of inducements available are:—

● Investment grants — available for up to 10 per cent of the cost of new depreciable fixed assets in defined areas. The grant is given as equity capital and represents non-taxable income, but movable assets for which grants are received must be kept in the establishment for at least three years.

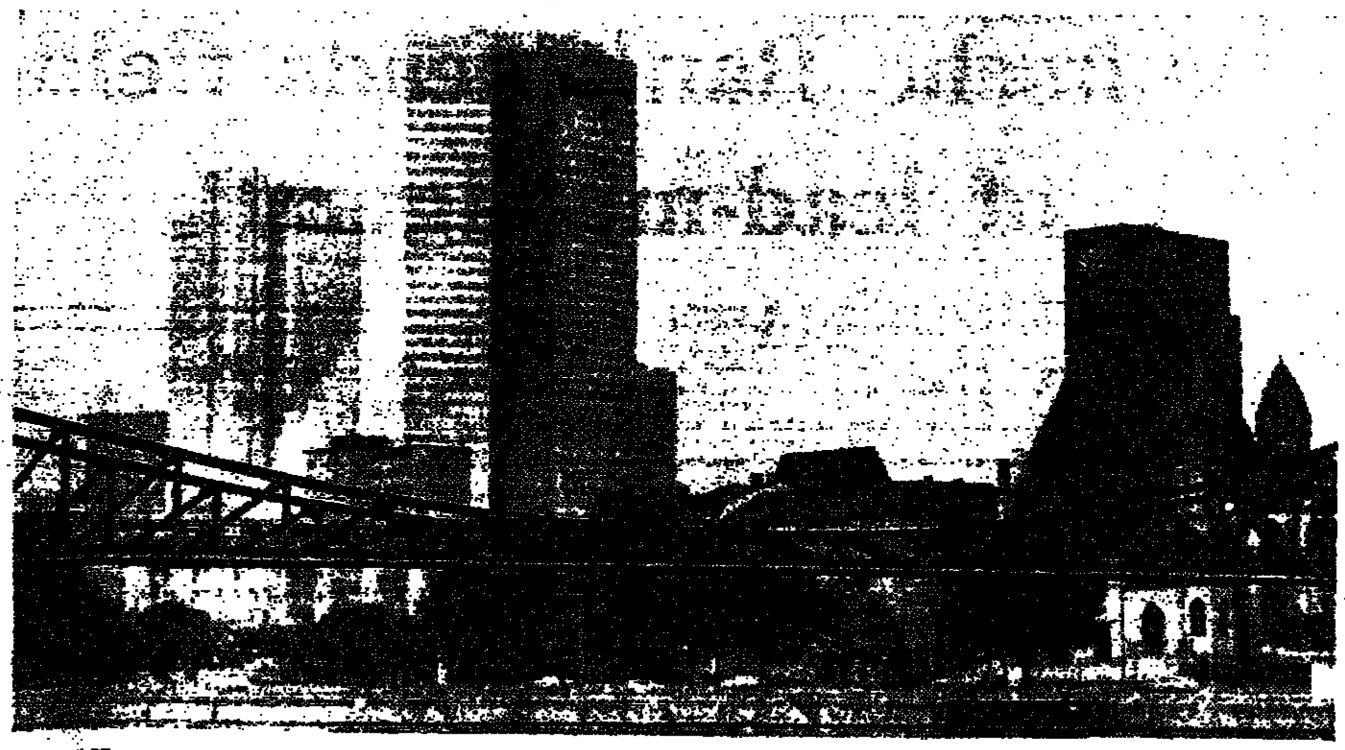
● Investment subsidy — depending on the area where the investment takes place subsidies ranging from 6.25 per cent to 15 per cent are on offer. These subsidies are treated as extraordinary income and are taxable.

● Depreciation. In border zones special depreciation rates amounting to 40 per cent for buildings and 50 per cent for machinery (75 per cent in Berlin) are available, together with employment incentives and training grants.

● Loans and guarantees. Low interest rate loans are available in addition from each of the German states.

● Reduced site prices. Municipalities can make available sites at reduced costs through a system of subsidy operated by the states.

● Exemption from real estate acquisitions tax. Available for land on which business premises are to be built or expanded.



Bank headquarters tower over Frankfurt's skyline. Providing venture capital to ensure that a new generation of entrepreneurs can get started is now a high priority.

# Increasing emphasis placed on entrepreneurial investment

BIG WEST GERMAN banks, institutions which dominate the financial system and therefore the availability of loan and equity finance for industry, are under no illusions about the serious threat which the combination of a primitive stock market and an almost non-existent venture capital sector pose for the nation's industrial future. For example, Dr Walter Seipp, the chief executive of Commerzbank, says: "We attach great importance to the provision of venture capital to small companies in high technology sectors." The bank, he says, has begun an internal inquiry into how it could become more active in the field.

## Venture capital

STEWART FLEMING

Commerzbank is not alone in its growing concern about the venture capital situation. In recent years German political and financial leaders have become more and more worried about the fact that the nation does not seem to be producing a new generation of entrepreneurs—men like Heinz Nixdorf or Max Grundig, whose entrepreneurial vision and determination helped to lift the Federal Republic back into the position of industrial leadership in Western Europe.

In the opinion of many West German businessmen the economy badly needs another entrepreneurial wave. The failure of major companies such as Siemens, for example, to react quickly enough to the rapid evolution of micro-electronics technology tends to confirm the judgment that in a period of rapid technical change reliance on industrial giants to keep abreast of international rivals is not enough. The result is that even electrical industry executives admit privately that West Germany is way behind the U.S. and Japan in micro-electronics technology. It is feared that the same is happening in other new fields such as biotechnology.

According to Herr Herbert Wolf, head of the Commerzbank economics department, of the two principal elements at work, technical capacity and a favourable financial framework, it is the financial side which poses the biggest problem for the innovative entrepreneur. In part this reflects the inadequate profitability of West German industry, a subject which the Bundesbank, the central bank, has been hammering home so emphatically that Dr Helmut Schlesinger, the Bundesbank vice-president, recently found himself apologising to an audience of journalists for sounding like a lobbyist for German industry.

The change in government in Bonn to a new Right-of-Centre coalition headed by Dr Helmut Kohl is widely seen as clearing the way for a swing in the pendulum towards a redistribution of national income towards the corporate sector, a shift which it is hoped will create an environment in which more entrepreneurs will flourish.

But if improved corporate profitability is seen as a necessary condition for a more vigorous industrial sector, on its own it may not be enough.

The case of Herr Volker Dolch, the founder of Dolch Logic instruments, one of the world's four leading logic testing equipment manufacturers, is a case in point and one which provides a searing critique of the West German financial system. Herr Dolch, a German who has in seven years built up a company which is a leader in a field on the frontier of computer industry technology, was forced to go to the U.S. and float his company on the venture capital market there in order to get enough equity to grow.

In his view West German bankers are ignorant about and therefore afraid of lending to high tech companies such as his, whose principal assets are not buildings and equipment but ideas which need to grow rapidly to survive. "The German financial system puts minefields in the way of companies such as ours," he says.

It is not just the big West German commercial banks like Deutsche Bank which are too nervous about their carefully polished reputations to risk getting involved in the hurly burly of the venture capital market. These big banks and also the blue-blooded private merchant banks, are even reluctant to float companies on the West German stock market in case an issue flops. In the past two and a half years only some half-dozen companies have been floated on the German stock markets.

Instead the big banks prefer to encourage their customers to pour billions of marks each year into tax shelter property funds. Bankers estimate that tax shelter funds take in around DM 4bn of private savings a year—the "grey capital market"—of which as much as three quarters goes into some form of property investment. Now banks are realising just how damaging is this diversion of risk capital into tax shelters and are calling for changes aimed at making productive entrepreneurial investment more attractive so as to siphon funds away from such tax shelters.

While the big banks carefully calculate their options, smaller firms are sprouting up, firms such as Portfolio Management in Munich, or Genes in Cologne, bent on taking a lead in developing the venture capital market or fostering the flotation of new firms on the equity market. The change in government, the urgent need which many entrepreneurs have of new equity and changing attitudes towards public ownership of companies are factors which, it is argued, mean that venture capital is an idea whose time has come in the Federal Republic.



# FINANCIAL TIMES 1983 SURVEYS PROGRAMME

**SEPTEMBER**

Thurs. 1st Four Wheel Drive
Fri. 2nd Isle of Man
Mon. 5th Reinsurance
Tues. 6th Switzerland
Wed. 7th Yugoslavia
Thurs. 8th
Fri. 9th Bermuda
Mon. 12th Hong Kong
Tues. 13th Netherlands Banking, Finance and Investment
Wed. 14th Magnus Oil Field
Wed. 14th Portugal
Thurs. 15th Wales
Fri. 16th Executive Cars
Sat. 17th
Mon. 19th Japan
Mon. 19th Gold
Tues. 20th France
Wed. 21st Lebanon
Thurs. 22nd Danish Exports
Thurs. 22nd Business Books
Fri. 23rd Vans and Light Trucks
Sat. 24th Italian Regions
Mon. 26th UK Banking
Mon. 26th Jordan
Tues. 27th Italian Engineering
Wed. 28th UK House-building
Wed. 28th Defence Industries
Thurs. 29th West Berlin
Fri. 30th UK Property

**OCTOBER**

Mon. 3rd Arab Banking, Finance and Investment
Mon. 3rd Vehicle Rental
Tues. 4th Egypt
Wed. 5th Airport Planning and Construction
Thurs. 6th Philadelphia
Fri. 7th Enterprise Zones
Mon. 10th Software
Tues. 11th Norwegian Exports
Tues. 11th Metals
Wed. 12th China
Thurs. 13th Advertising Industry
Fri. 14th Greece
Fri. 14th Rochdale
Mon. 17th Office Equipping and Furnishing
Tues. 18th GLC and Metropolitan Counties
Wed. 19th The Motor Industry
Wed. 19th Frozen Foods
Thurs. 20th Corporate Finance
Fri. 21st Brimingham
Mon. 24th West Germany
Mon. 24th Britain's Business Cities: Bristol
Tues. 25th Telecoms
Wed. 26th Aluminium
Wed. 26th Selby Coal Field
Thurs. 27th Miami
Fri. 28th FT 500
Mon. 31st Industrial Property
Mon. 31st Dairy Industry

**NOVEMBER**

Tues. 1st Regional Development
Tues. 1st Texas
Wed. 2nd Luxembourg Banking and Finance
Thurs. 3rd Belgium
Fri. 4th Industrial Boilers
Fri. 4th Foreign Exchange
Mon. 7th Australia
Mon. 7th Botswana
Tues. 8th Swiss Banking, Finance and Investment
Tues. 8th Accountancy
Wed. 9th Britain's Business Cities: Manchester
Wed. 9th International Fund Management
Thurs. 10th Yugoslav Trade and Industry
Fri. 11th Property along the M4
Sat. 12th Coins and Stamps
Mon. 14th Commercial Vehicles
Mon. 14th Portuguese Industry
Tues. 15th Singapore
Tues. 15th London's Airports
Wed. 16th Sweden
Wed. 16th International Health Care and Hospitals
Thurs. 17th Mobile Communications
Fri. 18th Retail Property
Mon. 21st Netherlands
Mon. 21st Energy File: Coal Technology
Tues. 22nd Brazil
Tues. 22nd Joint European Torus
Wed. 23rd Building Management
Wed. 23rd Andalucia
Thurs. 24th Barbados
Fri. 25th Manufacturing Automation
Fri. 25th Leicestershire
Sat. 26th Christmas Books
Mon. 28th Nigeria
Tues. 29th Nigeria
Wed. 30th United Arab Emirates

**DECEMBER**

Thurs. 1st East West Trade
Fri. 2nd French Banking
Fri. 2nd Mid Glamorgan
Mon. 5th Europe
Tues. 6th Japanese Industry
Wed. 7th International Construction
Thurs. 8th Nordic Banking
Fri. 9th Cumbria
Fri. 9th Grenada
Mon. 12th Energy Management
Mon. 12th Spain
Tues. 13th Business Information Systems
Tues. 13th Colombia
Wed. 14th Scotland
Wed. 14th Italian Banking, Finance and Investment
Thurs. 15th Canadian Banking
Thurs. 15th Cable and Satellite Television
Fri. 16th Nottinghamshire
Mon. 19th Turkish Industry
Tues. 20th European Small Businesses

The timing of surveys is subject to change. Synopses giving provisional details of the articles which will appear in the surveys listed can be obtained by writing to FT Survey Synopses, Room 512, Bracken House, Cannon Street, London EC4P 4BY. Editorial information for surveys should be sent in writing to FT Surveys Department at the above address.

# Deutsche Bank heads field of lead-managers

## Eurobond issuing banks

MARY ANN SIEGHART

IN THE world of Eurobonds one German bank stands head and shoulders above the rest. Deutsche Bank is not only the biggest issuer of such bonds in the D-Mark sector but also comes second only to Credit Suisse/First Boston in the league tables for bonds of all currencies.

Figures for 1982 show that, taking into account public issues only, Deutsche Bank launched $4.87bn compared to CSFB's $7.02bn. No other German bank came in the top ten.

So far this year Deutsche Bank has managed to retain its second place but other German banks are creeping up the table. Commerzbank, Dresdner Bank and Westdeutsche Landesbank (WestLB) are now in the top ten too.

Deutsche Bank has two advantages: its placing power is thought to be greater than the others' and its lead-management is widely regarded as authoritative and effective. Probably for these reasons it quite often lead-manages Eurodollar as well as D-mark bonds.

When the European Economic Community did its huge fund-raising operation in June on behalf of France, for instance, Deutsche was chosen to lead the $350m Eurodollar bond.

Not all is rosy at Deutsche Bank, however. It is thought that morale has been low in the new issues department, headed by Karl Miesel, a director of the bank. Rumour has it that those in the department thought their importance was not appreciated enough by top management and that, possibly, they were badly paid compared with other bankers in similar positions.

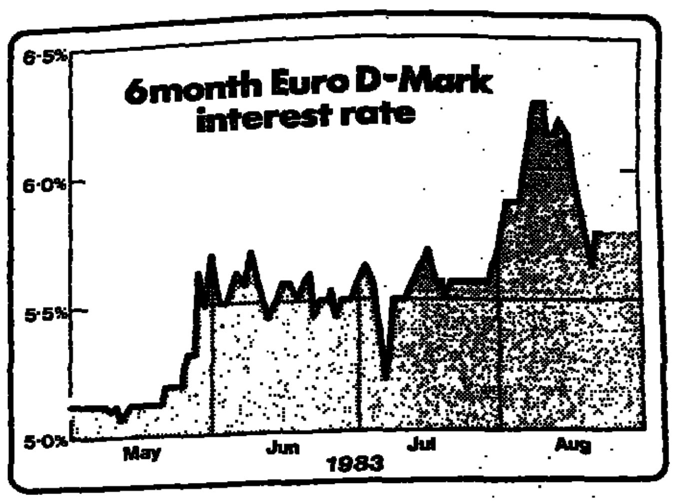
Earlier this year Freidrich Hoyos, who worked under Miesel on the syndication side, resigned "for health reasons." It was claimed at the time that he was to return after about six months but market sources suggest this is unlikely.

Next in the new issue hierarchy come Commerzbank and Dresdner Bank. So far this year Commerzbank has led more issues than Dresdner; both deal almost entirely in the D-mark sector.

Exceptions are the three fund-raising exercises of $100m each which Commerzbank undertook on its own behalf in the Eurodollar sector in January, March and May of this year. The May bond also carried warrants to buy Commerzbank bearer shares.

Dresdner too led its own dollar deal earlier this year. The $100m bond, which came out in March, carried an 11 per cent coupon for seven years at par. It had to support the issue so heavily in the market, though, to stop it falling to a heavy discount that it ended up holding more than $65m of the $100m itself.

In the new issue calendar for the end of August and beginning of September Commerzbank was scheduled to lead three of the five issues, with Deutsche Bank running only one.




This does not imply, however, that Commerzbank is about to usurp Deutsche in the German market. Two of the deals—for Arab Banking Corporation and Indonesia—are linked by a swap arranged by Commerzbank, which explains its heavier-than-usual lead-management schedule.

In terms of new issue volume WestLB is next on the list. It has led issues for such sovereign borrowers as the Republic of Austria and the Kingdom of Denmark.

But neither has WestLB been free of personnel problems. One of its senior vice-presidents, Peter Ganschinietz, joined the Eurobond musical chairs game last December when he left to join Bear, Stearns International in London. With him went Albrecht Nicolaus, another WestLB senior executive.

These moves came just as WestLB was preparing to implement a major reorganisation resulting from a study by McKinsey and Co., the U.S. management consultants. The reorganisation involved merging two departments of the bank—foreign bond trading and international institutional investment—into one.

Finally, three other banks are involved in new issuing activity in the D-Mark sector, though their exposure is less than that of the top four.

These are DG Bank, Bayerische Vereinsbank and Berliner Handels-und Frankfurter Bank (BHF). All have led fewer than ten issues so far this year.

# Market drifts back into doldrums

EUROBONDS denominated in D-marks have had a hard time in the past few months. After a bumper year in 1982 the market is back in the doldrums.

Several factors account for this but most important to the German Eurobond market are the strength of the U.S. dollar and the performance of the U.S. domestic bond market. The two are interlinked. Only at times of a particularly strong D-mark and correspondingly heavy inflows of foreign capital has the "decoupling" of the markets been possible.

With a strong or strengthening dollar, funds tend to flow out of Germany and into the U.S., especially when interest rate differentials work in favour of dollar-denominated investments, as is currently the case.

Between June and August, the "benchmark" long Treasury bond in the U.S. fell an astonishing 14 points, bringing the D-mark market down with it. At the same time the U.S. dollar rose from just over DM 2.50 to more than DM 2.70. These two influences combined to depress the market and raise yields.

There have been other problems. Since the beginning of the year new issue managers in Germany have noticed an outflow of funds from the bond market into equities. Thus convertible and equity warrant bonds have been popular but straight bonds have suffered.

## DM Eurobonds

MARY ANN SIEGHART

Unfortunately the new issue calendar, until August, seemed not to take account of these factors. In May, for instance, over DM 1.5bn of issues were scheduled and in June DM 1.9bn. By July the market just could not digest the DM 1.36bn of new issues scheduled and most of them fell to discounts way outside their selling concession.

This oversupply was causing problems in the market, so the August calendar was a welcome relief. The calendar-makers gave the market a rest for two whole weeks and the total only came to DM 750m.

Interest rates in Germany have been reduced more quickly and by a larger amount than those in other major financial markets. Between the autumn of 1981 and May this year bond yields came down from nearly 12 per cent to 7.7 per cent. And with U.S. interest rates still so high, Germany seems to have gone too far too quickly.

Seeing how short-term rates have risen since then (see chart), it is not surprising that the market was in for a bit of a correction. By the middle of the summer issues were being launched with coupons as high as 8¾ per cent.

The outlook, on the other hand, must be relatively optimistic. Some investors are beginning to believe that the equity market has reached its peak, so funds may flow back into the bond markets, which are showing historically high real rates of return.

They might also be encouraged by inflation figures, which currently show a year-on-year increase in prices of around 3 per cent. If inflation remains under control, the Bundesbank should be willing to keep its Lombard rate low. However, there have been ominous signs of rises in the money supply outside the target range, which may cause the Bundesbank to tighten monetary conditions.

While the dollar remains strong, however, the performance of the German Eurobond market is really in the hands of New York. If the U.S. Treasury market rallies, so should the D-mark sector. Meanwhile, German bankers will at least be relieved to see investors returning from their summer holidays. Some complained in August that retail business had come to a virtual standstill.